

THURSDAY APRIL 18 1996

Page 13

Fischler moves to | Move aims to spur growth World economic outlook 'satisfactory' ease tension with UK over beef ban

Business Newsnane

European Union agriculture commissioner Franz Fischler sought to ease tensions between Britain and continental Europe over the beef crisis, telling Euro-MPs in Strasbourg that any solution to the collapse in the beef market had to involve all EU countries. However in London, some British government ministers plan to mount a vigorous anti-European campaign pinned to the beef crisis. Page 14

Italian election offers wide choice: Italian voters face four separate votes and a choice of more than 300 groups to elect a new parliament. Page 3

EU warned on enlargement: The European parliament warned thet the EU risked damaging the internal market if member states forced the pace of enlargement eastwards. Page 2

SAP, the German business software group, forecast that profits would rise 40 per cent for the year after first-quarter results showed turnover up to DM690m (\$457m) and a 62 per cent rise in pre-tax profits to DM117m. Page 17; Lex, Page 14

German unions warn of jobs threat: German trade unions warned that government plans to cut spending and restructure the welfare state could cost jobs instead of creating employment. Page 2

L'Oréal, French cosmetics group, reported an 8.3 per cent rise in earnings for 1995 to FFr3.4bn after sales rose 12 per cent. Page 17; Lex, Page 14

Nato chief reassures Baltic states: Nato secretary-general Javier Solana assured the Baltic states thet the western allies would not neglect their security interests or close the door to their eventual membership of the bloc. Page 2

Ford profits fail 58% to \$653m:



Ford said the cost of introducing models of some of its biggest-sell ing vehicles led to a fall in profits to \$653m, down per cent from the year before. Chairman Alex Trotman (left) defended the company's decision to introduce a number of high volume vehicles at once, saving the change

was best done at a time when Ford was financially strong. Page 15

Global telecoms talks may miss deadline World Trade Organisation talks on a global pact to liberalise basic telecommunications, may fail to fix a deal before the April 30 deadline despite "good progress", officials said. Page 5

GAN, tha state-owned French insurance group. reported 1995 losses of FFr1.8bn (\$351m) down from FFr5.7bn in 1994 and predicted a return to break-even this year. Page 16

American Airlines's parent company AMR confirmed it was considering spinning off one of the world's biggest computer reservation systems, Sabre. The move could save the second biggest US airline \$120m and \$140m a year. Page 15; Lex. Page 14

Southern may merge **IMF urges rate cut by Germany** with top

By Robert Chote, Economics Editor, in Washington

Technology, Page 10

sures the strength of their exchange rates, and modest growth of monetary aggregates The International Monetary Fund yesterday called on the Bundesbank to cut interest rates to help in most cases during the past revive economic growth in Ger-many and other European counvear. For the world economy as a whole, the IMP expects growth to continue at a "satisfactory pace" tries whose currencies are closely linked to the D-Mark.

In its latest twice-annual World of 3.8 per cent this year and 4.3 Economic Outlook, the IMF said per cent in 1997. The outlook for growth in Japan is better than it appeared in October and in the conditions seemed to be in place for economic growth to rebound in the second half of the year in US it is much the same. But the fund warned that if the financial markets lost confidence the hard currency countries. But it warned that not enough

had been done to guard against the downside risk of protracted weakness and to offset the impact on activity of cuts in government borrowing. "It is important thet the avail-

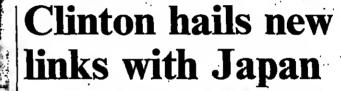
able scope for further easing of monetary conditions in the hard since the second half of 1995, currency countries be fully util-ised," the fund said. "Room for whila recovery in those econo-mies that have devalued against further declines in short-term them - such as Italy, Sweden and interest rates in these coontries

is suggested by their large mar-gins of slack, subdued price pres-Monetary conditions index

The index is d

omy this year, compared with the 2.9 per cant it predicted in Octo-ber. The forecast for France bas cut from 2.7 to 1.3 per cent and for Switzerland from 2 to 0.9 per cent

Mr Michael Mussa, the IMF's economic counsellor, said that to



By William Dawkins in Tokyo

President Bill Clinton yesterday praised the maturing of a relationship between old friends, and said the US and Japan had "spe-cial responsibility to lead" the Asia Pacific region through a time of profound change.

He was speaking after a sum-mit with Mr Ryutaro Hashimoto, Japan's prime minister, dubbed by both sides to be tha most important meeting since the cold war ended. They confirmed plans to strengthen their security alliance and increase co-operation on issues ranging from combat-ing international terrorism to preparing for earthquak

Mr Clinton and Mr Hashimoto met in Tokvo to sign two agreeundertaken to study co-operating ments on security and general with US troops in any future shift

Europe "the slowdown is largely behind us". The analysis has already

proved controversial within the IMF. When its executive board discussed a draft late last month, French and German representatives protested it conceded too

Separate Sections

much to European devaluers. This is a sensitive topic to raise on the eve of the Bundesbank's policymaking council meeting today and when EU finance ministers have been discussing ways to prevent European coontries outside the putative single cur-

rency competitively devaluing against the euro. Asked if he was arguing against strong currency policies, Mr Mussa said: "The notion that

the same policy is appropriate for all countries should not be accepted without analysis."

IMF urges assault on high public borrowing, Page 4 Interest rates warning, Page 8 Editorial Comment, Page 18

since the Soviet Union collapsed.

It confirms the US will maintain indefinitely 100,000 troops in east

Asia, of which 47,000 are in

Japan, but confirms the reduc-

tion and consolidation of US

The two countries agreed to

co-operate in working for stabil-

ity in the region, beset by numer-

ous territorial disputes. They

stressed, in a significant overture to China, that both would like to

increase co-operation with Bei-

jing. "It is extremely impor-

bases in Okinawa.

tion said.

generator By Patrick Harverson in London Southern Company, the US utility, is considering a merger with Britain's largest electricity generating company, National

UK power

Power. The union would be the biggest singla consolidation of the UK electricity industry. Southern Company has a market capitalis-ation of about \$16bn and already owns Sweb, the UK regional electricity supplier based in the

south west of England. National Power is the largest power generator in the UK and plans to launch a £2.8bn (\$4.2bn) takeover bid for Southern Elec-tric, another regional supply company. Yesterday shares in National Power leapt 56%p to 578p, valuing the company at 26.6bn.

The government has not given The government has not given its assent to National Power's agreed bid for Southern Electric, although Mr Ian Lang, UK trade and industry secretary, is expec-ted to agree with the recommen-dation of the Monopolies and Mergers Commission that that deals and a constraint bid for bid for deal - and a separate bid for Midland Electricity by Powergen, Britain's second generator - be approved.

Southern Company said yester day it would await Mr Lang's dacision, which is expected within the next fortnight, before beginning formal merger talks with National Power.

The US group has made it clear it does not want to buy Southern Electric. It fears the UK government would balk at tha idea of a generator and two electricity suppliers - Sweb and Southern Electric - being owned by a single company.

tant... China play a positive and constructive role." the declara-Southern Company will there-fore try to dissuade National The US and Japan are to share more intelligence on regional developments and Japan bas Power from pursuing its planned offer for Southern Electric. If it fails, it risks the whole deal being referred to the MMC.

batween the two companies

The structure of an



in the commitment of US Con-

gress and administration to

achieve a balanced budget, their

reaction could pose "a significant

risk to sustained expansion". The exchange rate movements Growth in Europe's hard cur-rency countries has stagnated have offset the stimulatory impact of interest rate cuts in the hard currency countries, but augmented them in the devaluing countries The IMF now forecasts 1 per the UK - has remained on track. cent growth in the German econ-

Page 3

AT&T chairman Robert Allen came under attack over his \$16m compensation package which critics said was tied to the break up of the company and loss of about 40,000 jobs. Page 18

Indian corruption attacked: India's chief election commissioner T.N. Seshan attacked corruption in the country's political and business life saying the national "character" had "descended to its nadir". Page 14

IBM carnings rise to \$1.4bn: International Business Machines reported stronger than expected first-quarter operating earnings of \$1.4bn, compared with \$1.3bn in the same period last year. Page 18

Stoffi Graf's father charged: German prosecutors have filed charges against Peter Graf, the father of tennis star Steffi Graf, and one of his financial advisers, accusing them of evading taxes on DM42m (\$27.9m).

S Africa tops murder rate: South Africa last year had the highest murder rate of any country outside a war zone with 18,583, equal to 57.5 murders per 100,000 people, according to police figures. in the US, the murder rate has hovered at around nine per 100,000 inhabitants and in Britain one per 100.000.

Greek shipping magnate dies: Greek ship owner Stavros Niarchos, a pioneer of the super-tanker, has died aged 85. He was one of the world's richest men with a personal fortune of \$5bn. Ohitaary, Page 16

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Last-minute check: Lebanese prime minister Rafiq al-Hariri appears to submit himself for inspection by a military aide as he arrives for a meeting with UK prime minister John Major in London, at which the Israeli bombardment of Lebanon was discussed. Report, Page 14. Israelis demand truce, Page 4 Picture AF

Euro-MPs try to halt cash for Ukraine nuclear plants

be able to influence the decision on the two new reactors, claiming that pressure from the parlia-The European parliament is ment was instrumental in the

By Caroline Southey

at a cost of \$1bn.

eastern Europe.

tions.

World Trade Ne

Khmelnitsky 2 and Rovno 4.

The issue is expected in be raised at the nuclear summit in

Moscow at the weekend between

The G7 request is controversial

because of sensitivities over the

bank's involvement in the financ-

the G7, Russia and the Ukraine.

in Strasbourg

attempting to thwart efforts by the Group of Seven western hank's climbdown in the Slovakian case. industrial countries to secure fin-The parliament is today likely to agree a resolution calling on the European Union to insist that ancing for the completion of two nuclear reactors in the Ukraine

a study nn Ukraine's energy The G7 has asked the European needs be drawn up before any aid Bank for Reconstruction and for the development of the reac-Development to help secure the financing for the completion of tors is disbursed. The resolution also calls on the two Ukrainian nuclear reactors,

EU to fund the building of gas

plants instead. Mr Bernd Lange, a German MEP and member of the socialist bloc, said the reactors were different from the Chernobyl installations, but were still based on "old and dangerous" technologies no longer used in western Europe and the US.

ing of nuclear power stations in He said the parliament would The bank was forced to press for a study on the abandon financing the comple-Ukraine's energy needs and effition of two nuclear reactors at ciency as a precondition for any Mochovce in Slovakia when Sloaid "We are not convinced developvakia refused its tough condi-

ing these reactors is the right Members of the European parway to provide energy for the liament are confident they will Ukraine. We think it is possible

FT Actuation

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...18-20

Foreign Exchanges

Int. Bond Service Managed Funds ...

26.27

26.27

Gold Markets

Money Ma

Recent Issues

Share information

group of MEPs, said the parlia ment would ensure efforts to secure aid for the reactors were blocked "as we did in the Slovalcia case" "We will ensure that no money

reactors," he said.

is provided unless safety studies have been completed. We will make sure the studies are independent and not just a masquerade," he said.

to find a solution without thes

Mr Carlos Pimenta, a Portu-

guese member of the Liberal

The resolution points out that Ukraine is one of the most energy intensive countries in the world, using at least seven times the amount of energy per unit of GNP as the EU.

It calls for the development n "less expensive and less dangerous sources of energy" and the promotion of energy-saving programmes

The resolution also points out that 10 years after the Chernobyl disaster, no nuclear stations have been shut down in Ukraine, despite the fact that working conditions at the installations have deteriorated.

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to more co-operative relations after a period of trade disputes and Japanese public criticism of tha US military presence in Japan. The sacurity declaration

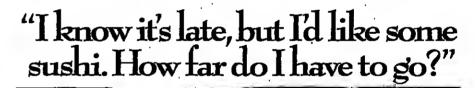
step for the Japanesa govern-. ment, since it reopens debate over how tha limits of selfdefence should be defined under its pacifist constitution. A grow-ing number of voices believe

Observer, Page 13

slightly extends a series of initiatives, the consequence of both sides' first Asian security reviews

remains unknown, but if a deal is agreed shareholders in Southern Company and National Power are likely to be offered equity in a newly marged entity. A cash **Continued** on Page 14

Continued on Page 14 Lex. Page 14





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Schengen pact

EUROPEAN NEWS DIGEST

NEWS: EUROPE

Strikers force out guests at Norway hotels

By Greg Mctvor in Stockholm

Ten leading Norwegian botels were forced to close yesterday when staff went on strike after the collapse of annual pay talks with employers.

employment.

By Peter Norman

privately.

The German government, leaders of

building industry unions and employers yesterday agreed to try to boost the private financing of public-sector

sion in the construction sector, With the main building employers' federations and the IG Ban trade

union, Mr Günter Rexrodt, economics

minister, and Mr Klaus Töpfer, huilding

minister, set up a joint working party

to report this year on specific publicsector projects that could be financed

in particular, the group will investi-

gate toll-financed infrastructure pro-

jects such as roads and hridges and tha

use of leasing finance to construct uni-

ts to offset a growing reces-

Hundreds of business travellers were left stranded by the first strike in Norway's botel industry for 11 years. Many were unaware of the industrial action until breakfast yesterday, when they were told they would have to check out.

Three of Oslo's most prestigious hotals were affected, including northern Europe's biggest hotel, the 670-room SAS Radisson Plaza, the Conti-nental, and the Grand Hotel once a favourite haunt of Henrik Ibsen, the Norwegian dramatist.

The dispute, which is esti-mated to be costing the three hotels up to NKr24m (\$3.7m) a day, hit another seven hotels and restaurants in other cities. including Stavanger and

Bergen. Hoteliers in Oslo scrambled to find rooms for about 500 guests suddenly left without rooms. Hotels were trying to contact guests booked to arrive today. All overnight accommodation within two hours of the capital was last night said to have been filled.

Unless talks hetween the two sides resume by Sunday, the strike will spread to a further 21 hotels and restaurants across the country, effectively crippling the sector.

The walkouts followed the breakdown of negotiations on a new annual wages and conditions agreement between the 15,000-member Norwegian Hotel and Restaurant Work-ers' Union and the Confederation of Norwegian Business and Industry, representing employers. Two weeks of talks, involv

ing mediation by the state industrial arbitration service. have resulted in stalemate. The union is demanding an average pay increase for its

members of NKr4.9, representing a rise of almost 6 per cent. Norway's inflation rate is currently 0.7 per cent, one of the lowest in Europe. Mr Jens Petter Hagen, secretary of the union, said many in the industry were underpaid.

"If hotels in Norway are going to maintain their posltion and compete on the interlast longer than others. national market they need people who are qualified, and

By Peter Norman in Bonn said the government's plans, so far, were "totally imbalanced" Germany's powerful trade from a social viewpoint.

unions yesterday warned the The unions would "fight government that its plans to with all means" against legislacut public spending and tion to limit sick pay, she restructure tha welfare state warned. DGB support for risked social conflict and could savings, which Chancellor cost jobs instead of creating Kohl will seek at a meeting with employers' and union rep-With the leadership of Chanresentatives next Tuesday cellor Helmut Kohl's coalition government locked in negotia-

evening, would depend on whether the cuts "made an tions to cnt DM50bn (\$33bn) effective contribution to halvfrom public spending next year ing unemployment". Ms Engeand prevent social security len-Kefer said the government had failed to produce a policy contributions rising. Ms Ursula Engelen-Kefer, the deputy chairperson of the German to deal with unemployment, which according to official fig-Trade Union Federation (DGB). ures stands at 4.14m.

versity and school buildings.

projects.

1990.

Yesterday's meeting agreed there

should be a compulsory comparison of

poblic-sector and private-sector tenders

for federal, state and local authority

Mr Christian Roth, president of the German building industry association, told the meeting that ontput in the

huilding industry would fall this year

for the first time since unification in

He predicted a 5-6 per cent fall in output, 100,000 job losses and some 6,000

company failures. His forecasts were

backed by the Bundesbank, which in its

latest monthly report warned there was no short-term prospect of Germany's recession-hit huilding sector again

becoming an engine of growth.

Other union leaders echoed Ms Engelen-Kefer's criticism. Mr Detley Hensche, the head of the media workers' union, said Bonn's plans were "an alliance against jobs, not for jobs". Any union playing along with the government would be failing in its duty, be said. Ms Margret Monig-Raane, leader of the sbop. bank and insurance workers' union (HBV), said proposed savings were "socially irresponsible, economically unreasonable and pointless in terms of job creation".

Austerity package attacked for failing to deal with unemployment

Kohl warned by unions over cuts

Yesterday's chorus of complaint came in response to an austerity and restructuring

Funds boost sought for public projects

package that is not due to be completed until late Thursday next week. However, speculation about the government's intentions has been in full spate since Mr Kohl returned from his Easter break at the weekend to hammer out the plans with senior ministers and coalition party leaders.

Press reports have suggested that cherished products of the German welfare state such as full sick pay, indexed linked pensions and childrens' allowances are under threat. Mr Theo Waigel, the finance minister, has hinted that he would like a public sector pay freeze for perhaps two years.

Some painful cuts are certain but the proliferation of conflicting stories also reflects differences among ministers about the package. Meanwhile, the Bundesbank

vesterday highlighted Bonn's growing financial problems with a report that the federal deficit increased to DM20.4bn in the first quarter from DM8.74bn in the same 1995 period. However the bank warned that the figures did not give an accurate picture of budget trends because special factors distorted the flow of income and expenditure both in early 1995 and so far this VP27

set to enlarge An agreement on passport free travel across Europe is due to be extended northwards today to include Scandinavia, marking another step forward in the forbous progress of the so-called Schengen arrangement. At a meeting in The Hague. the Schengen group's existing seven participants are expected to embrace three European Union members - Denmark, Finland and Sweden - and to accept non-EU members Norway

and Iceland as observers. The five Nordic nations already operate a passport union among themselves. The enlargement follows a series of settocks for the group, including a row between France and the Netherlands over the liberal Dutch attitude to drugs. Greece aunounced unexpectedly last month that it would not ratify the agreement, claiming that the Schengen group's huge data bank could infringe personal liberty.

France, while dropping border controls with Spain and Germany, has insisting on maintaining them with Belgium and Luxembourg on grounds that drugs from the Netherlands are passing through both countries. Spain, for its part, has complained strongly to Belgium over its reluctance to Bruce Clark, Brussels extradite suspected terrorists.

Swissair reviews flights plan

Swissair has agreed to reconsider its decision to transfer most of its long-haul services from Geneva to Zurich in the face of strong criticism from the government and business inter-"We will examine how far we can oblige the federal and Geneva government and see where wc can make some improvements," Swissair said vesterday. Politicians in Geneva and in the French-speaking part of

Switzerland have criticised the national cartier's decision to take away Geneva's flight connections with the Middle Sest, West Africa and Los Angeles. The row has highlighted tensions between Switzerland's two main regions and has been viewed as another example of the dominance of the Reuter, Geneva German-speaking area.

Steffi Graf's father charged

Mr Peter Graf, father of the tennis player Steff Graf, was yesterday charged by German public prosecutors with failing to declare about DM42m (\$28m) of his daughter's income to the tax authorities, following months of investigations in Germany's biggest recent case of tax evasion.

Ms Graf was not implicated in the allegations, according to prosecutors in the south-western city of Mannheim, but Mr Joachim Eckhardt, the family's tax adviser, was charged alongside Mr Graf.

The two men allegedly submitted false tax declarations or withheld information relating to Ms Graf's income between 1989 and 1993, according to a 237-page document, Mr Graf and Mr Eckhardt have been held in custody pending charges since last August, Michael Lindemann, Bann last August.

Talks on part-time workers

Unice, the European employers' organisation, and the European Trade Union Confederation are to start negotiations shortly on measures to provide part-time workers in the European Union with the same legal rights as full-time workers, it was announced yesterday. British companies will be exempt from any deal that is made

thanks to the UK government's opt-out from the social chapter of the Maastricht treaty, but many British-owned multinational companies will have to extend rights to part-time workers in their EU operations outside the UK.

A voluntary agreement was reached between European employers and trade unions late last year to provide workers with a right to parental leave. Robert Toylor, London

Spanish move on conscripts

Spain's Popular party, which is due to form the next government, is espected to propose the phasing-out of compulsory military service as part of a policy pact with Catalan nationalists. The plan, following the French example, would go further than the PP's recent electoral programme, which promised to cut in military service to six months from e to a air force, navy and rapid reaction force. Conscripts make up 63 per cent of Spain's 226,000-strong armed forces, according to Defence Ministry figures. Plans envisage cutting this to less than half of a reduced total of 180,000 at the end of the century. David White Madrid

MEPs caution on the pace of **EU enlargement** gration of the countries".

By Caroline Souther in Strasbourg

Mr Arie Oostlander, a Dutch MEP and rapporteur for the The European parliament yesterday warned that the EU risked damaging the internal market if member states forced resolution, said the problems facing central and east European countries were "serious. and the economic starting level the pace of enlargement eastis low. In some countries, democracy and the rule of law

The parliament, echoing a call from EU heads of governare still far from achieved". MEPs sought a "comprehenment, demanded negotiations sive monetary strategy" to be start simultaneously, with all drawn up for aspirant memcountries applying for member-ship to "prevent the emergence bers, to ensure currency stabilisation accompanied preparaof two classes of applicant tions for European monetary countries," although it recogunion. They asked the Comnised some negotiations could mission, in co-operation with EU companies investing in the

region, to draw up a code of While MEPs want preparaconduct to ensure the EU's tory accession talks to begin as Governmental Conference in the new member states. The parliament stressed the (IGC) ends, they insisted no decision on the outcome could importance of applicant counbe taken "until the full finantries "investing in developing cial consequences of a future better social structures" and accession are available". that they should "fully respect In a sober assessment of the and comply with the clauses obstacles facing the accession on buman rights and the rights of minorities" before becoming Solana promises western alliance will not close door to eventual membership of countries in ceotral and eastern Europe, MEPs backed full EU members. a report seeking a cautious The parliament's economic step by step approach to enlargement and the protec-tion of established EU ecoand monetary affairs committee, in its submission to the debate, indirectly challenged nomic, social and political claims by some EU politicians, notably Germany's Chancellor "Overhasty accession by the Helmut Kohl, that accession countries of central and east for some east and central Euro-Europe on purely political pean countries would be possigrounds, which would inevitahle hy the year 2000. The "inevitable conclusion" bly mean not all conditions with regard to RU legislation of its assessment was that were met, would undermine there was no question of counthe internal market and not tries acceding "before the next century". To do so would be the "Union's death knell". help the Union to function efficiently," the resolution said. The parliament warned that The development of the EU's over-ambitious programmes for internal market meant little scope to give new members derogations from EU laws, as accession carried risks for the aspirant member countries. leading to "harmful social conwas the case with Spain, Portusequences" for new members. gal and Greece. "The possibil-As a result, MEPs said ity of helping the countries that they wanted a "phased plan, taking into account the social dimension, to with transitional measures and derogations have been severely curtailed since the completion be drawn up for gradual inte- of the internal market," it said. | casting Ukraine and the Baltic



President Boris Yeltsin yesterday made an site of a hostage crisis in which hundreds died last year, writes Chrystia Freeland and Dmitry Volkov. Mr Yeltsin's popularity plummeted when Chechen separatists seized more than 1,000 bostages in the town. sparking accusations that he had reduced Russia to

chaos. Yesterday Mr Yeltsin sought to counter

cost of building advanced by nearly a The bank's report painted a picture of an industry in which booming demand third over this period. In east Germany, where pay was much lower at the time of unification in in recent years had pushed up employment shar, and produced cost increases that far exceeded Germany's · and produced cost 1990, hourly wages rose 80 per cent, or 12.5 per cent a year, between the start of 1991 and the end of last year.

odest inflation rate. Employment in western Germany increased by about 10 per cent to about The bank said the 1.85 per cent building industry wage increase negotiated last week was a "a first step in the right 2m between 1988 and the peak of the beom in 1994. direction" to bringing prices into line

In eastern Germany, the number of jobs in construction rose to more than with demand. But it warned that "more such steps must follow 1m in 1995 from 630,000 in 1990. By last In Bonn yesterday, building industry year, construction accounted for 17 per cent of eastern German gross domestic product, three times the western Geremployers indicated the industry would approve the deal, despite hostility towards it in eastern Germany. The man level of 5 per cent.

Hourly wages increased by an averbuilding workers' trade union has age of 5.75 per cent a year between 1988 already given its reluctant blessing to and 1994 in western Germany while the the compromise.

ingly," he said.

The union accused employers of imposing an effective pay freeze this year, but botel industry representatives said they had been given losuffi-cient time to make an offer.

The confederation binted tbat a settlement could be offered if negotiations were to restart, but said the NKr4.9 figure remained unacceptable and the confederation was awaiting the union's next move.

There is also tension standards. between the parties over the employers' demand for a switch from centralised collective bargaining to local wage negotiations. They argue this is vital to promote wage flexibility, but tt is fiercely opposed by the union, which says it would crode a long tradition of centralised collective bargaining model in the sec-

Norway's hotel industry has been huoyant in recent years, after a boom triggered partly hy the Lillehammer Winter Olympics in February 1994. The most recent available figures show total turnover in 1994 was NKr25.6bn - an increase of 10 per cent on the previous year.

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Ukraine office at a smart recep-

tion earlier this month and

then treated its guests to

rounds at the beer and bil-

The Dutch firm, the last of

witbout commercial life in

Ukraine have laid the ground

for a consulting boom after the

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sultancy business to take off FRANCE: Publishing: Director: P. Maraviglin, 42 Rue La Bobtie, 75008 PARIS. Telephone (01) 5376 8254, Fax (011 5376 8253. Primter: S.A. Nord Echir, 1521 Rue de Caire, F-59100 Rouhaix Cedex 1. Editor: Richard Lambert, ISSN 1148-2753. Commission Parizaire No 67808D. SWEDEN: Responsible Publisher: Hugh Carneyy 468 618 6088. Printer: AB Kvällstudningen Expressen, PO Box 6007. S-550 06. John Finsencial Tures Limited 1996. FRANCE. sharply from the start, as it European countries, according to director Mr Max Groen. Straight audit work will follow. More than seven decades

fall of communism. Hundreds o The Financial Tunes Limited 1996. ditor: Richard Lambert, o The Financial Tunes Limited, Number ne Southwark Bridge, London SE1 9HL. of western experts are offering Editor to The Fam to advise on everything from sunflower oil ontput to the

people of Budennovsk that he would bring peace to Chechnya. But his pledge was undermined hy continued fighting in Chechnya. Separatists yesterday ambushed a Russian military couvoy, killing 26 troops and wounding dozens of others.

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Nato chief seeks to soothe Baltic fears

By Matthew Kaminski in Kiev and Bruce Clark in Brussels

Mr Javier Solana, the Nato secretary-general, yesterdsy assured the Baltic states that the western allies would not neglect their security interests or close the door to their eventual membership of the bloc. The Nato chief has this week visited Ukraine and the three Baltic republics before heading on to Poland, Hungary and the Czech Republic, which are viewed as the three most promising candidates for early membership of the alliance.

Opponents of early Nato enlargement have argued that it could have the side effect of

states, which are unlikely to be included in the first wave of new members, into a Russian sphere of influence. So the itinerary of Mr Solana's first trip through central and eastern Europe amounts in itself to an implicit assurance that Nato will not lose interest in the western republics of the former

Soviet Union. An Estonian official said the alliance chief had promised, during a stopover in Tallinn, that "Nsto will develop a strategy for all countries who wish to join, even if they are not in the first wave of enlargement". Earlier in Lithuania, Mr Solana appeared to reject a suggestion by Russia that Nato might sía

expand its political wing but had promised the Kiev govern- eral accused Nato of preparing co-operation Nato was offering.

political part of the alliance," he said While the Baltic states are

all keen to join Nato as soon as possible. Ukraine has said it intends to remain neutral for the time being, though not necessarily for ever.

However, it has been pressing since last September for a special relationship with Nato - including political consultation, and frequent joint exercises - along the same lines as the partnership which the alliance is trying, with mixed results, to establish with Rus-

Nato officials said Mr Solana

not its military structure. ment that the alliance saw no "There is no such thing as a reason to deploy either nuclear weapons or large concentrations of troops on the soil of new member states in central Europe.

The Ukrainian government. for its part, had assured the secretary-geoeral that it had no objections to its western neighbours joining Nato. The Atlantic alliance plans to hold a defeoce planning seminar in Ukraine this summer.

Russian military experts have hinted darkly that their country might try to re-estab-lish control of the Baltic states if Nato expands to its immediate east.

Last month, a Russian gen-

a 60,000-strong force - to be based in Germany, Denmark and Poland - with the aim of intervening in any clash between Moscow and the Baltic republics. Nato officials said they knew nothing about any such force, but they said Mr Solana had detected some

anxiety, particularly in Estonia, abont the threatening noises which have come from certain quarters in Russia.

The secretary-general told the Baltic states he could not prejudge the outcome of forth-coming deliberations at Nato on the "who and when" of enlargement. But, in the meantime, they should taka full advantage of the military

Consultancy blooms in Ukraine's sunnier climate S moky and hot, the "Kar-ambol" tends to be an evening's final port of

Western firms have poured in to take advantage of the country's attempts to rebuild its commercial life after decades of communism, writes Matthew Kaminski in Kiev call for western consultants in Kiev. So it was when KPMG

Foreign aid drives the worked in Africa and Latin graduate programmes in Rus-rowth. The more than \$1.65bn America for 27 years, before sian studies. Both types of con-received from the US and Euro-heading to Ukraine and over-sultants elicit gibes shout rather than policy, work in growth. The more than \$1.65bn received from the US and European Uulon in the four years seeing a nine-man team. since independence exceeds by far the approximately \$700m

total foreign direct investment. accountancy's "big six" to About half the aid goes to tech-come to Kiev, expects its connical assistance which, roughly league, who travels regularly nical assistance which, roughly from Paris to Rirovohrad, a translated, means consulting. sleepy town at the beart of Tacis, an EU scheme geared Ukraine's bread basket. "The has done in other eastern for the ex-Soviet republics, first thing I asked my wife to pays for 156 projects in food send is a cookbook." he said. and agriculture, military con-Most stay in Kiev, however, version, nuclear safety and where the experienced specialfinance and banking. Member ists blend easily with throngs countries put up \$50m a year, of young consultants, many of and mostly western European them on their first job after consultancies get the work. university. The International BDPA, a French agricultural Finance Corporation, the policy consultancy, last year World Bank'a private sector won a contract to start farm arm, hires its foreign staff for reform projects in three pilot three separate privatisation regions. Mr Dominic Etienne contracts usually straight from

youth or irralevance from "We are used to this kind of life," said Mr Jean-Philippe Dutilleul, his 45-year-old colwestern and local critics. At first, Tacis funded many long feasibility studies for com-

mercial projects that never took off. "[Consultants] used to come in here, write a report that now sits around collecting dust, and leave a bunch of invoices," a western official said.

Consultancies, on average, are paid Ecu550 (\$700) a day by Tacis. "You look at what they earn," the official added, "and

An EU official said that large US public relations com-

came to Kiev on a foreign assistance project - advertisthat Ukraine benefits in unexing Ukraine's mass privatisation programme, courtesy of pected ways, too. Local staff pick up marketable skills, helpthe US Agency for Internaing to end the country's long tional Development - and isolation from the west.

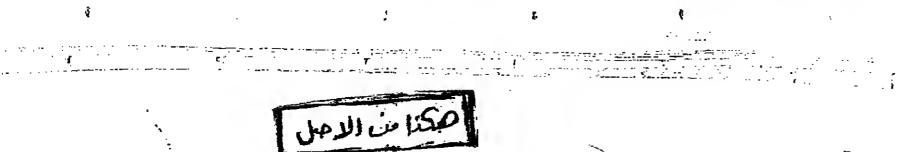
staved But Ukraine does not con-Commercial practices can sider itself a developing counbenefit from the contacts made try, and government officials through foreign aid work. That often resent outside advice is why Arthur Andersen, the from consultants who spend largest of the "big six", takes little time in the country. "A on the occasional assistance contract, according to Mr William Senkiw, the firm's managing partner in Kiev. Local staff Kiev of Burson-Marsteller, a have grown from six to 100 in

just four years, largely thanks to commercial business. Half its practice is devoted to consulting. Their consulting work differs

little from that done in the west except in "the degree of sophistication" and the weak commitment among local management to change, said Mr Senkiw, "The only reason local companies will hire us is when they're told to do so by a potential foreign investor."

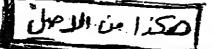
Kiev's economy certainly benefits. The "Karambol" fills up nightly and new, mostly expensive restaurants open each month, tailored to the western expense account and the new Ukrainian commercial elite.

The rush for western-standard commercial and residential space, and the low supply, has pushed up property rates to \$65 per square metre, second only to Moscow in the former Soviet Union.



quite often what they do is not useful." Similarly, US foreign aid contractors are sometimes lot of people usually only put their toes in," said Mr Michael derisively called "Beltway bandits", after the freeway sur-Willard, managing director in rounding the US capital

pany. "It takes a while to get to know the market, the people agriculture, finance and energy and how valuable they are to a areas that economists argue business." Ukraine needs to overhaul if a In common with many westvibrant free market is to take ern firms, Burson-Marsteller root. Donors are quick to counter



NEWS: EUROPE

FINANCIAL TIMES THURSDAY APRIL 18 1996

Schengen par-Parties limp to the start line in Italy

1948

By Robert Graham in Rome

t is tempting to see Italy's third general election in four years as a repetitive game of musical chairs: the same parties are offering the same polices to an unenthusiastic alectorate.

Yet despite the short gap between the March 1994 gen-eral elections and Sunday's poll, there are important differences. Even if the outcome is a close as seems likely, there will be important shifts of power within the two broad alliances and these will have an important impact on the formation of the next government.

Neither the centre-left "Olive Tree" alliance or the rightwing Freedom Alliance have survived the campaign covered in glory. Both approach the finishing line looking tired and vulnerable. The centre-left has failed to sustain a bandwagon effect of optimism which began to amerge last weekend. While the right, which clearly won the first part of the campaign, has faltered on rash promises of job creation and tax cuts.

Private opinion polls which cannot be published during the campaign give the edge to the centre-left. The financial mar-kets view of the centre-left as a more responsible force in gov-ernment with better qualified ministerial material has seen the lira strengthen.

The markets may have become just a bit too sanguine about the outcome; but on balance the centre-left seems likely 10 do better. In the senate, where the under 25 vote is PPI. excluded, the centre-left is expected to obtain a majority. If the advance of the centre-

left is coofirmed, it will be because Mr Silvio Berlusconi's two-year-old Forza Italia movement has lost its credibility as a moderate force for change. On the other hand, the failure of the centre-left to win given the disastrous experience of the Berlusconi government in 1994 and the rising strength of the rightwing National Alli-

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ance (AN) of Mr Gianfranco Fini - will underline tha country's profound mistrust of the left. Italy is the sole European L'UUVO democracy where the left has not been in government since

majority

Mixed Group: From the Reconstructed

/aldotaine, Sudit /oliospental and

Popular Party: (PPI)

Giuseppe Ayata

The Olive Tree alliance, created a year ago, underscores the transformation in the strategy of the parties on the centre left since 1994. They have realised the dominant force, the former communist Party of the Democratic Left (PDS), must appeal beyond the faithful to the centre vote if it has a chance of winning. Equally those who fought

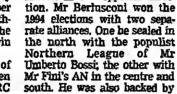
alone in the centre - the bulk of the old Christian Democrats regrouped as the Popular party (PPI) - realised they had to move into a broad alliance to survive. The Olive Tree was formed from a symbiosis of these two factors. As a result the left has been

pulled more towards the cen-tre. This is underscored by the leadership of the Olive Tree having been entrasted to Mr Romano Prodi, the Bologna economics professor linked to the Christian Democrats.

Also Mr Lamberto Dini, the caretaker premier and gener-ally considered to tha right of the centre, has formed his own party. Dini Italian Renewal, and allied himself with the Olive Tree. A further cog in the centrist wheel is provided by Mr Antonio Maccanico, the man who failed lo form a gov-

ernment of national reconciliation in January. He has his own grouping linked to tha This pull towards the centre has made even more delicate the relationship between the Olive Tree and Reconstructed Communism (RC), the hardline of the old Communist party which commands about 8 per

cent of the national vote, Without tacit support from RC, the Olive Tree cannot hope to win a majority in parliament. To this end, a series of "desistence pacts" have been agreed - deals whereby RC





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OB. Romano Prod eader of the **Xive Tree** Save he will only

Grand alliances and the man in the middle

become onme lience wips a clea card, hooing to be the powe broker in a hund partie

The outgo 630 seats* Olive Tree Northern Langue: 72

272 Proj From Dem Left Mbx From Chill (DC) Rep (PP) From the Party of the Democratic Left (PDS) and Greens Communists, Unione Rec Der rom the Lib and Nor Pro Soc Fro 2

One seast second due to dealth of a deputy

candidates stand down in one place in return for support from the centre-left in others. But RC remains an unacceptable partner in government and frightens off many Catholic voters in the centre.

If the left has been pulled more towards the centre to compete for the majority of the 48m voters, the right has moved in the opposite direcUmberto Boas leader of the

Silvio Bertusco leader of the. LIBERTA Freedom Struggling to

overcome the dership of the

The outno 325 seats**

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the right of the old Christian determine the difference Democrats, the Liberals and between a hung parliament Mr Marco Pannella's radicals. and a clear majority. Mr Bos-This was called The Alliance si's strategy is to rely on a hard core of faithful votes with for Freedom and Good Government. In these elections, Mr a secessionist message, hoping to gain enough seats to hold the balance of power in a hung parliament.

> ner. Now he has emerged as the dominant partner and the AN could well obtain more votes than Forza Italia



and other words, small parties which do badly under the

small former Christian Demo-

crat groupings bave found

themselves excluded from most of the first-past-the-post

seats. The division of seats

also favours Forza Italia over

the National Alliance, a situa-

tion which could prove embar-

rassing if the latter obtains a

bigher percentage of the

In the senate, meanwhile, only those aged 25 and over can vote, excluding 12 per cent

of the electorate. This coupled

with a different geographical

distribution of the seats,

favours the centre-left in the

npper house. The bicameral system, with equal powers in

both houses, means a stable

government must control both

the chamber and senate.

said Mr Piantini.

sion in communications, tour-

ism, mining, transport and

that overtook the heavily-in-

Income from tourism last

year was mainly responsible

for covering a merchandise def-

icit of \$2bn on a trade volume

of \$3.5bn, building interna-

tional reserves by just more

If any of the pretenders to

the presidential palace wish to make a clear indication of

change, it could be as dramatic

as moving from darkness into

light. The country has been

suffering from years of inade-

quate electricity supply, so chronic that business leaders

refer to the problem as a crisis.

The state-owned company,

whose future is subject to

protracted and so far inconclu-

sive debate by legislators, can-not keep pace with increasing demand. It has also had diffi-

culty paying private companies

which supply power for the

national grid.

than \$100m during the year.

debted state-owned producer.

national vote.

has traditionally had little say in the most important aspect of an election - who governs the country next. The vote is for people and parties, not for governments. This is because a highly imperfect electoral system encourages the formation of alliances to win elections

small.

Tather than to govern. The system, used for the first time in the March 1994 senate excludes general elections, is a mix of the first-past-the-post principle 12 per cent of and proportional representathe electorate tion. In both houses 75 per cent of the seats are contested under the first-past-the-post tions. Thus the PDS has 48 per system and the remainder by cent of all the candidates in proportional representation. the Olive Tree alliance stand-

Since no party can muster more than 20 per cent of the vote and most under 10 per ing for the chamber and 52 per cent for the senate. The remainder are divided np cent, the politicians are among seven different groupings, leading to some awkward negotiations to accommodate obliged to pool their resources into broad alliances to win the bulk of the seats (the centreprime minister Lamberto left Olive Tree and the right's Dini's late arrival on the Freedom Alliance). The number of candidates Equally on the right, the

contesting the 475 majority vote seats in the chamber of deputies has fallen 27 per cent to 1,574 since the last election.

This works out at an average 3.3 candidates per seat compared with the average of 11.8 candidates fighting each of the 155 proportional seats in the chamber. The huge difference is explained by the proportional system encourag-ing small parties and working

against the bigger parties. Italy is divided into 27 electoral colleges with varying numbers of seats. Via a mathe-matical formula based on the number of seats and votes, a "qnotlent" is established which is the minimum number of votes required to win any proportional seat. A party's

By Andrew Jack in Paris A French insurance group yesterday agreed to repay the total national vote is then added up and must reach a balance of a housing loan to minimum 4 per cent (around the family of a man who died 1.5m votes). From this total is then subtracted that number of an Aids-related illness and who had not told the insurance company he was HIV-positive of votes which have been used to elect winning candidates in when he took out the loan. The reimbursement, trigthe first-past-the-post seats. In

gered by a court ruling in Strasbourg and made public yesterday, came in spite of majority vote can recoup on accusations from the insurer Within the two aliiances thet the person who had taken seats in the first-past-the-post out a contract had made a false

system have been allocated medical declaration. broadly on the basis of the per-Les Assurances du Crédit formance in previous elec-Mutuel agreed to repay FFr90.000 (\$17.716) from a FFr250.000 property loan which it had demanded from The vote for the

the man's family after his death. The man, identified as "Michel", aged 47 in 1986, had replied No to two questions on the insurers' questionnaire, which asked whether he suffered from an illness or infir-mity of any sort; and whether

Insurance

payout for

man who

hid HIV

ment or was under medical supervision. He was already aware that he was infected by the HIV virus, and the insurer later took an action against the man's family to repay the balance of the loan on the grounds that he had made a false declaration.

he was following any treat-

His family argued in court that be had filled out the questionnaire in good faitb, because he was not "ill" with Aids at the time he signed the document, and that be was not following any treatment but simply some "atlempted therapy". The tribunal found in favour

of the family. It accepted their arguments

which stated that during 1985-86, medical specialists were far less aware of wbal would happen to those wbo had the HIV virus.

The insurance group decided not to appeal against the court's ruling, but said it had made this decision because of the relatively small amount of money concerned.

and the League is fighting the North on its own - leading to a renaming of the alliance to the Freedom Alliance. The defection of the League has turned the north into a

the foreign minister.

support Mr Fernandez.

"The main issnes have

Berlusconi has a pact with AN

three-cornered fight with unpredictable consequences.

The other major difference is that Mr Berlusconi is no longer the uncontested leader of the right. Mr Fini in 1994 was carried along on the strength of Mr Berlusconi's popularity and was very much a junior part-

NEWS: THE AMERICAS

Betwean parties candidates, the Italian voter is overwhelmed by choice, with four separates votes to elect a new parliament from more than 300 groupings large and Yet paradoxically the voter the proportional.

Party bickering threatens to disrupt congressional agenda

Dole under pressure over immigration

By Jurek Martin in Washington

Electioo year party bickering is threatening to wreck the congressional legislative agenda and is posing difficult political choices for Senator Bob Dole, the majority leader and presumptive Republican presidential nominee.

On Tuesday night Mr Dole abruptly pulled the immigration bill from the Senate floor. accusing Democrats of trying to attach non-germane issues to the legislation, among them an increase in the federal minimum wage. Much of his anger. echoed even more forcefully by other Republicans, was directed at Senator Edward Kennedy, the Democrat from Massachusetts and a leading propagent of better pay for the

most impoverished workers. Senator Don Nickles, the Republican from Oklahoma, warned of retaliation against Mr Kennedy. This could, he said, take the form of delaying consideration of the bealth insuraoce reform bill sponsored by Mr Kennedy and Senunr Nancy Kassebaum, the Republican from Mr Dole's

home state of Kansas. Demucratic pressure lo ucrease the minimum wage,

ergred on by both the Clinton administration and organised labour, is by no means confined to the Senate. The House Demucratic leadership has written to Congressman Newt Gaugrich, the Speaker, threatening to disrupt dally business if he does not schedule the floor vote on the issue which they claimed he unfairly refused to grant last month.

An increase could possibly pass the Senate if a vote were over taken. Its prospects in the tionse look less good, though the Republicans this week came out behind a full dollar's increase over two years from the current \$425 an hour to Democrats are strongly \$1.25, 10 cents more than the opposed to this scheme.

White House and congressional Democrats have been urging. There was speculation last week lbat Mr Dole himself, while unwilling to hand the Democrats any kind of decisive legislative victory, was pre-pared to consider a compro-mise 45 cents an hour one-year

increase. He will be as aware as the Democrats of polls which show upwards of 80 per cent support for an increase in the federal minimum wage, the base pay for well over 10m American workers.

Mr Dole had problems with the immigration bill, a substantial election year issue in such states as California, from within his own party as well as with the opposition. Senator Alan Simpson, the Republican from Wyoming, still wants any crackdown on illegal immigra-tion coupled with reductions in the admission of legal aliens.

This flies in the face of a vote in the House last month to split the bill into two parts. with existing levels of legal immigration mostly preserved. Business interests, traditionally large supporters of the Republican Party, had made clear likey wanted continued access to the international talent pool, particularly in the high technology sector.

The Kennedy-Kassebaum health insurance bill, providing for greater portability of policies and guaranteed coverage for those with existing medical problems, also commands broad political and public support in its present form. But Mr Dole is under pressure from conservatives to attach amendments giving preferential tax treatment to so-called medical savings accounts, under which individpals can sel aside sums for future spending on healthcare.

Balaguer casts shadow over poll

Canute James on the not-so-retiring president of the Dominican Republic

onfounding his critics and supporters after saying he was retiring, the Dominican Republic's most influential politician is casting a large shadow over presiden-tial elections to be held next month. The octogenarian Mr Josquin Balaguer has now said he will not be standing and will be supporting the candi-date of his Reformist party. Just a week earlier he indicated that he was reconsidering his retirement after six terms in office. Many Dominicans believe they have not heard the last of Mr Balaguer. If be sticks to his latest undertaking to stand down, it will be the first time in 30 years that the people of the Caribbean nation will not be making a choice from any of the old men of Dominican politics. Mr Juan Bosch, Mr Balaguer's perennial arch-rival, also in his 80s, retired from politics three years ago

because of ill-health. The election was called two years early after Mr Balaguer won in 1994 by a handful of votes, amid charges from the losing candidates, supported by foreign observers, thet the event was tainted by widespread fraud and mismanage-ment, in the wake of consistent ward, a political analyst with pressure, mainly from the US, the government agreed to an ties to the Reformist party. early vote and to isolate the administration of elections from party political pressures. According to the polls, the front-runner to win on May 16 is Mr Leonel Fernandez, a 42-year-old lawyer and Mr Bosch's successor as leader of the Dominican Liberation party which started life as a Marxist organisation bnt now advocates a market economy.



Balaguer and aides: making way for younger men

country of 7m people. The election campaign is

already been agreed with the international community and devoid of arguments about issues, and based on repeated will be implemented by the promises from the candidates new administration," ha said. to improve the lot of Domini-This expectation of cans, spiced with colourful a seamless change is shared by Mr Luis Manuel Piantini, deputy governor of the cendescriptions by tha candidates of each other's attributes. "Decisions will have to be

tral bank, who suggested made by the new administrathat an expanding economy tion on issues such as the prihas contributed to a calmer vatisation of state companies, political atmosphere in the and the implementation of leg-

islation which will permit the sale of the elactricity com-pany," said Mr Hector Guiliani Cury, deputy secretary of state for finance.

A nationalised economy was central to Mr Balaguer's per-ception of a modernising country, and the president has found it difficult to divesi these enterprises.

The election coincides with an improvement in the country's economy which expanded president, who is blind.

Housing starts signal by 4.8 per cent last year, according to the central bank. growth "We are very optimistic about the economy and expect the

expansion to continue this By Michael Prowse in Washington year in all the major sectors," Growth was fueled by expan-

US honsing starts feli modestly last month bnt construction. Sugar, once the pillar of the economy, con-tracted because of problems remained at levels that historically have signalled solid economic growth, official figures indicated yesterday.

The Commerce Department said starts dropped 3.9 per cent to a seasonally adjusted annual rate of 1.447m, roughly in line with analysts' projections. Revised data showed starts rose to 1.505m in February, the highest level in a year. During the first quarter starts were 12 per cent higher than in the same period of last year, providing further evidence of economic recovery after sluggisb growth late last

year. However, economists said staris bad probabiy now reached a platean and could weaken later this year, given the recent rise in long-term interest rates. Mortgage rates feli sharply in the second balf of last year but have recently climbed steeply in response to higher bond yields. Rates on 30-year home loans averaged 8.05 per cent last week. com-pared with 7.03 per cent in

"Getting us a proper supply of electricity will tell the January. Building permits - a guide Dominican people that they to future construction activity have entered a new era," said one business leader, who was reluctant to be named. "Presi-- were flat last month bnt 14 per ceut higher than in March last year. Regionally, the blgdent Balaguer could not have been aware of the grave disadgest improvement in housing vantage the country has been markets was in the north-east enduring," - a criticism, perwhere starts rose 10 per cent haps unkind, of the outgoing following a large gain in Feb-

Mulroney attacks Canadian justice department

By Robert Gibbons in Montreal

Former Canadian prime minister Mr Brian Mulroncy testified yesterday that the federal justice department acted as "judge, jury and executioner" in searching for evidence to support allegations that he took CS5m in kickbacks on a CSI Sbn sale of Airbus Industrie aircraft to the then government-owned Air Canada in 1988. The administration and many Mr Mulroney, who categorically

demes the allegations, was testifying the prime minister from 1983-93 and

in a pre-trial hearing of his CS50m libel suit against the federal government and the Royal Canadian Mounted Police (RCMP).

He said that documents used by the justice department and the RCMP in the search were "filled wilb falsehoods" and the kickback allegations were "a terrible blow" to himself and his family, costing him weeks of lost

sleep and extreme worry. Mr Mulroney who was Conservaoffered to resign all his boardroom seats after the allegations became known last year, but the offers were turned down.

Mr Mulroney launched his unprecedeoted action last November - it is the first time that a former Canadian prime minister has sued his country. A justice department lawyer had

sent a confidential letter to the Swiss authorities in September seeking

is oow a prominent corporation law- access to three private Swiss bank mally held in chambers but the media yer and company director, said he accounts through which the RCMP alleged the money was channelled. Mr Mulroney, through his lawyers, had said earlier that he "never directly or indirectly maintained a Swiss or foreign bank account." He also denied influencing Air Canada's decision to buy Airbus aircraft.

Airbus has denied paying kickbacks to anyone to secure the sale. Pre-trial bearings in a civil case are CS25m in moral damages - the latter a lawyer-to-lawyer procedure nor- to be donated to charity if he wins.

were invited because of the unusual nature of the suit. The judge will hear

ruary.

objections to the suit on April 30. Mr Mulroney has maintained the Airbus allegations were made by "misguided, incompetent and possibly

vengeful officials nsing unsubstantiated media reports and resulting in irreparable damage to his reputation." He seeks C\$25m for lost income and

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NEWS: INTERNATIONAL

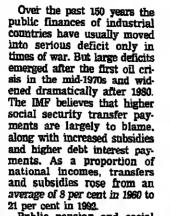
IMF urges assault on high public borrowing

The Fund's World Economic Outlook targets pension reform as an essential policy change. Reports by Robert Chote

V overnment debt is set to reach unsustainably Thigh levels in most industrial countries, unless pension systems are reformed and budget deficits tackled more effectively, the International Monetary Fund warned yesterday in its latest World Economic Outlook.

in preaching fiscal virtue, the IMF sought to reassure governments that reducing their borrowing would not necessarily impede the growth of their economies. The Fund said it was better to cut budget deficits by reducing governmant spending than by increasing taxation and argued that fiscal retrenchment was more likely to succeed if it involved fundamental policy changes rather than piecemeal reforms.

To its other member governments, the IMF offered variations on the same theme. Many developing country governments have already made good progress cutting their borrow-ing, but others need to move more quickly and to make sure that existing policy initiatives remain on track. The challenge in many transition economies meanwhile, is to curtail the role of the state while addressing the adverse short-term social consequences in an effective and affordable way.



Public pension and social %of GDP 0 spending bas grown as targeted safety nets have become universal benefits and as the beneficiaries of these schemes

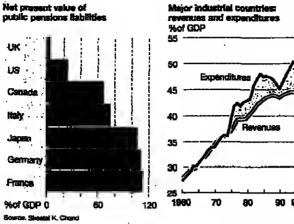
US

Italy

Canada

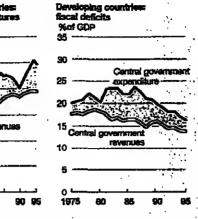
bave grown in number and political influence. Generous benefits for the jobless have to borrow more. meanwhile increased structural unemployment, especially in Europe, raising transfer spending directly as well as shrinking the pool of earnings available to be taxed. The "tax base" has also been depressed relative to expectations by the slowdown in productivity which followed the early 1970s. This has "imposed a harsher budget constraint than policymakers or voters expected or tomorrow's workers.

seem to have realised", at the



same time that greater open-ness in world capital markets lem is being exacerbated by demographic trands, as the has encouraged governments post-war "baby boomers" move through their working lives The Fund argues that big towards retirement. As a result budget deficits and high public the tax base is set to shrink at debt are a problem because the same time as demands for they discourage private saving and push up global real inter-est rates. This discourages pensions and bealthcare rise. As most public pension schemes are funded on a "pay as you go" basis from current investment and Impedes taxes, this is storing up fiscal growth. Borrowing to finance

transfer payments can also result in unfair redistributions problems for the future. To judge the scale of these of income, with today's retiree , the Fund estimates thet the unfunded liabilities of gaining at the expense of public sector pension schemes exceed two-thirds of national This inter-generational prob-



income in all industrial countries bar the US and UK. In Japan, France and Germany, unfunded liabilities exceed 100 per cent of national income. Public pension schemes in all industrial countries face "contribution gaps", which is to say that current contribution levels are too low to prevent their net asset or liability positions from dateriorating. Germans, for example, would have to raise their public secpension contributions by tor 3.4 per cent of national income to stabilise their system. Japan and France have similar contri-

bution gaps to Germany's, while Italy has a gap of 2.5 per cent, the US 0.8 per cent and

Britain only 0.1 per cent. The Fund argues that tackling this problem by raising contribution levels would be politically difficult in many countries, so benefits should be reduced and retirement ages raised. Raising the retirement age to 67 alone would be sufficient to eliminate the contribution gaps in France, Italy, the UK and Sweden. Contribution gaps will grow quickly if reme-dies are delayed, but the Fund warned that proposals to move from "pay-as-you-go" to fully

funded pension schemes would involve big transitional costs. The case for fiscal belt-tightening is now widely accepted among policymakers across the industrial world, but some are

worried that cutting govern-ment borrowing would constrain economic growth by weakening demand. However, the IMF argued that the experience of consoli-dation episodes over the last 25 years abowed that this need not be the case.

"Successful" consolidations those which cut the ratio of government debt to national income by at least three percentage points over two years

Maastricht goals 'within

- were associated with stron-

formal ger growth and rising employ-ment, Fund economists found. "Small reductions in budget deficits may reduce aggregate demand, while large adjustments may revive confidence and expectations so that growth is given a boost", the Ontlook said. By inspiring

big fiscal adjustments may also have allowed the authorities to cut interest rates more. The IMF also argued that fiscal consolidations achieved through government spending cuts were more likely to succeed than those driven by tax increases. Successful consolidations also involved bigger cuts in public sector wage bills than unsuccessful ones.

"When governments try to solve their budget problems by raising taxes, and not by brak-ing spending in hard-to-rein-in categories, the higher revenues tend to be absorbed and the government share of the economy continues rising."

In advocating further fiscal consolidation in developing countries, the Fund warned that cutting public sector wage bills could be counter-productive, by reducing efficiency in areas such as tax administration.

Editorial Comment, Page 13

ments to make binding com-

mitments to appropriate mech-

anisms for fiscal discipline

beyond the test year of 1997,"

also necessary to reduce the

gap between wage costs and productivity for the most vul-

nerable groups of workers,

Indeed, there are many rea-

sons why economic perfor-

mance in the monetary union

would be much better, and the

potential drawbacks associated

with the loss of the exchange

rate instrument much smaller,

if European labour markets

were more flexibla".

Labour market reforms were

the Fund said.

truce with Hizbollah By Jufian Ozanne in Jerusalen and David Gardner in Beirut financial market confidence, Israel yesterday confirmed that it was seeking a formal written

ceasefire with Lebanese suer rillas as it continued air and artillery attacks on Lebanon in defiance of growing international and domestic criticism. Mr Shimon Peres, Israeli prime minister, said he wanted written understandings from Hizbollah and Syria instead of the oral understandings brokered by tha US which ended Israel's last devastating blitz against Lebanon in July 1993.

Israelis

demand

Mr Peres also said Israel's offensive, which has involved more than 1,000 aircraft sorties and 11,000 shells and killed at least 31 people, could continne for several more days until a formal agreement was reached. We have no guarantee that it will end in a day or 24 hours or a few days. It could certainly continue," he said."

The prime minister also continued to brush aside a French effort to broker a ceasefire deal, backed by Syria, Lebanon and Iran in favour of US mediation efforts.

However, a US-Israeli drafted ceasefire proposal which greatly extends the July 1993 understandings and would force Lebanon and Syria to curb severely Hizbollah attacks against Israel and against Israeli soldiers occupying parts of southern Lebanon was rejected by the Hizbollah yeserday.

"To us the American proposal means suicide." said Mr Ali Ammar, a Hizbollah member of the Lebanese parliament. "We believe that the American side is not fit to launch any initiatives because it provides the political, moral and military cover for the Israeli aggression."

Lebanon has also given a preliminary negative response to the US-led ceasefire proposal although Lebanon's foreign minister, Mr Faris Bouez, said yesterday his country had not vet formally rejected it and was seeking alterations to the

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1.1

Tha lukewarm reception given to the US proposal has encouraged France to extend the Middle East mission of Mr Hervé de Charette, its foreign minister

Loss of momentum behind economic growth seen as temporary

Prolonged slowdown ruled out

Economic growth slowed more sharply than expected in west-ern Europe and North America last year but, with temporary factors lying behind the loss of momentum, the IMF does not expect "a prolonged or general-

Subdued inflationary pressures, relatively low long-term real interest rates, rising equity prices and the correction of serious misalignments between the world's leading currencies all point to "continued, relatively solid world growth," the Fund said in its latest World Economic Outlook. World trade is expected to continue growing unusually strongly relative to output.

Industrial country economies are expected to expand by 2 per cent this year and 2.6 per cent in 1997, Growth should pick up from 1.8 to 2.2 per cent in the US and from 2.7 and 3.1 per cent in Japan. Taking the European Union as a whole, growth should accelerate there

from 1.8 per cent this year to deceleration in the industrial 2.7 per cent in 1997, with the performances of the "hard curexpansions in the developing countries, the Fund believes, rency" countries and the "devaluers" gradually converg-IMF economists have downing. Inflation in the industrial graded their growth forecasts coontries is expected to remain for Latin America this year subdued, rising from 2.3 per and next to 3.1 and 4.8 per cent cent this year to 2.5 per cent in respectively, but have raised 1997.

their 1997 predictions for Africa and Asia. The Fund said that the proposals of both the US adminis-"Growth performance in tration and Congress to cot the Africa is expected to continue bridget deficit were disappoint-ing. It urged thet "the debate to improve as a result of the implementation of stronger over the budget should be macroeconomic and structural policies in an increasing numresolved in a manner that ensures continued deficit ber of countries in recent years," the Fund said. It prereduction in 1996 and the next several years". It also argued dicts a 5.3 per cent rise in outthat "substantial tax cuts put there this year, easing to should be postponed until defi-4.5 per cent in 1997. cit reduction is substantially The Fund said the slight achieved". Japan would have to rein in its budget deficit and slowdown it expected in Asia

would alleviate the inflationraise interest rates once its ary pressures and current economic recovery was well account imbalances there which have been fuelled in The world economy should part by large inflows of private also be insulated from the sector capital. In the develop-

Inflation economies by continued strong Consumer prices(%)

> 15-Developing

Inclusional countries 1970 75. 80 85 90

ing countries as a whole, inflation is forecast to subsida from 12.6 per cent this year to 9.8 per cent in 1997, only a fifth of the rate seen as recently as 1994

The economies of central and eastern Europe are forecast to grow by 4 to 5 per cent in 1996-97, a similar rate to that seen last year.

reach for most countries' Most European countries have "at least some chance" of meeting tha Maastricht convergence criteria for participation in a single currency next year, the IMF said yesterday. But it believes that qualification by a aufficiently large number of countries is by no means assured. The Fund said that further

action to reduce government borrowing was essential if progress towards a single currency was to continue as planned The recent slowdown in the

European economy has complicated the convergence process by depressing tax revenues and boosting social security spending, although the Fund expects a number of countries to be within striking distance of the 3 per cent reference value for fiscal deficits". Given these prospects, the

Fund said that "the additional effort required to meet tha

Maastricht criterion in 1997 would seem feasible and worth-The Fund welcomed the Ger man proposals for a "stability pact" which would keep the fiswhile, given the more general need to strengthen fiscal concal deficits of European Monesolidation in these countries". But it added that it would be tary Union participants to no more than 1 per cent of difficult for many countries to national income in normal times, "Overall, the success of the monetary union may well hinge on the ability of govern-

meet the fiscal target if economic activity turned out significantly weaker than expec-The Fund argued that respect for the Maastricht cri-teria was important, but observed that "the historic

decision to introduce a common currency, and the related decision on which countries will initially participate in this endeavour, presumably will reflect broader political and economic considerations". It noted that most EU governments feared that postponing the starting date for a single currency could undermine the confidence of financial markets and weaken convergence

afforts.

rainforests being destroyed at rhe rate of thousands of trees a minute, how can planning just a handful of scedlings make a difference?

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do with the people of the tropical forests.

WWF sponsors students from developing countries on an agrolorestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

exhausted quickly by "slash and burn" farming methods. New tracts of tropical forest would then have to be cleared every two or three years.

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FINANCIAL TIMES THURSDAY APRIL 18 1996

im tons to 4.5m tons a year.

consortium of western compa-

nies: Mobil has two exploration ventures in Kazakhstan,

including a potentially large

field under the Caspian Sea. Chevron, Mobil and a num-

ber of other western and Rus-

Kazakh and Omani officials for

25% of big

By Sender Thoenes in Almaty

Mobil, the US oil company,

said yeaterday it would pur-

chase a 25 per cent share in Tengizchevroil, one of Kazakh-

stan's biggest oil fields with

estimated reserves of between

6bn and 9bn barrels. Chevron,

also of the US, already has a 50

Mobil said the Kazakh gov-ernment had agreed to sell half

lts 50 per cent share for an undisclosed sum.

announcement this week by

Mr Vagit Alekperov, president of Lukoil, one of Russia's big-

gest companies, that it had

reached preliminary agreement

for the purchase of a stake in

Tengizchevroil.

The move follows an

per cent bolding in the field.

Asian oilfield

NEWS: WORLD TRADE

Outcome of WTO attempts to liberalise markets worth \$500bn a year remains uncertain

Mobil to buy Talks on world telecoms pact may miss deadline Argentina, Colombia, Iceland markets, are only observers at the talks. The US and the EU, their own markets could

By Frances Williams in Geneva

Negotiations on a global pact liberalise basic telecommunications have mada "good progress" but a deal by the April 30 deadline is by no means assured, trade officials said yesterday.

amount of Kazakh oil it would let through its pipelines from Tha World Trade Organisation talks, in which 51 An agreement on the Tengiz nations are taking part, aim to open telecoms markets worth pipeline is likely to boost faith in a range of other energy promore than \$500bn a year to jects, such as the Karachaforeign competition under an ganak oil and gas field in north-western Kazakhstan developed by British Gas and agreed set of regulatory

Trade diplomats say they are Agip, and the Azerbaijani offnearing agreement on the principles which would guard ahore fields, developed by a

against abuse of market power by dominant telecoms operators. But bilateral talks on access to domestic markets davs. for foreign companies have failed so far to produce enough concessiona to aacure Washington's support for a deal

"I really don't know how these talks are going to come out," said one US negotiator. "I wouldn't even buy a derivative on this one." Peru and Ecuador yesterday submitted offers to the WTO

Union counting as one).

and Thailand have promised offers in the next few

AT&T is concerned that countries refusing to liberalise

could free-ride on connections

telecoms negotiating group, bringing the number of offers to 26 (the 15-nation European which have comprehensive liberalisation proposals on the table, yesterday welcomed the latest developments. Nevertheless, US and EU

officials say offers by a number of Asian and Latin American countries remain inadequate, and they are also concerned abont Canada which alone among the leading traders is cheap international insisting on strict foreign ownership restrictions.

Both Japan and the EU, under pressure from the US. However, India has yet to submit an offer while Indonesia and South Africa, have said they are prepared to drop most ownership both important potential restrictions provided trading

partners follow suit. Canada is expected to come under strong pressure from its Quad partners - the US, EU and Japan - when the four trade ministers meet in Kobe tomorrow with telecoms at the top of their agenda.

EU officials say they are also concerned at signs that the US is considering a partial or total exclusion of international services from the agreement. "The EU could not accept a deal without coverage of international services," one official said yesterday.

The US industry, notably AT&T, is concerned that countries refusing to liberalise

free-ride on cheap international connections between highly competitive markets in the US and Europe. At the same time, they would be able to charge high international accounting rates for incoming calls. Washington has come up

with a "menu" of options for tackling this problem. One possibility short of

exclusion would be to delay entry into force of the WTO accord for international traffic, perhaps for five years beyond the probable January 1 1998 starting date for domestic local and long-distance calls.

was competitive but had n

llcence in Vietnam but production has been down to

plans scale back, said Mr Murray Gilbert, Ford Vietnam's director general, it is building a \$102m assembly plant just outside Hanoi and vehicles would start rolling off the production line in October 1997. Initial capacity would be 14,000 vans and Escort sedans a year, although the proportions had yet to be

Chrysler to rethink plans for Vietnam plant from the southern commercial licensees. So with 12 in the not restrict the number of be too competitive. Vietnam

sian oil companies are negotia-ting in Moscow with Russian, By Jeremy Grant in Hanoi

Chrysler seld yesterday it was reconsidering plans to make vehicles in Vietnam because of potential overcrowding in a market which industry experts say will take longer than expected to mature. Tha US company was

awarded a licence last year for a \$192m assembly plant in Dong Ngai province, not far

hub of Ho Chi Minh City. But after Hanoi relaxed limits on the number of investors, the Specifically, Chrysler was reconsidering its planned product mix of Jeeps, Dodge pick-nps and Neon US company viawed the market as more competitive, prompting a re-assessment of its plans, according to Mr Vance Peacock, Chryslar's manager for Thailand and sedans

The original proposal was based on us being one of four assembly by saying it would

picture we're looking at what level of investment makes sense now," he said. companies.

demonstrate In November last year, Vietnam changed its policy on foreign investment in vehicle

players, having previously set a limit of one Japanese, one has a population of 74m but few people can afford cars. Buropean and two US Industry axperts say the move was designed to

commitment to unrestricted competition. But the effect has been to sow concern among the 12 companies so far licensed that the market may

BMW of Germany, for instance, assembles cars under

one car per day for months Hanoi's because of poor demand. Ford, the only other US manufacturer besides Chrysler with a presence in Vietnam, acknowledged that the market decided. Mr Gilbert said.

"What makes this World Business Class so special?"

ture is about to revive again after three years in limbo for lack of a reliable export route. "It's sign of confidence in the economics of the Tengiz proj-ect as well as the probability of an export pipeline going ahead." said Mr Steven O'Sulstake.

an export pipeline linking Tengiz and other oil fields in Kazakhstan to the Russian port of Novorossiisk. "Many of the issues seem to be resolved," one oil executive close to the negotiations said. "It will all come together soon."

natural resources, has seen its economy decline for lack of independent export routes for Its oil and gas, leaving it dependent on Russia even after the break-up of the Soviet Union.

Cbevron has kept investment in Tengiz, estimated to require \$20bn, down to about \$1bu because of insufficient access to Russian pipelines. It boosted output only recently, when Russia raised the

livan, oil analyst at M C Secu-rities, a London-based investment bank. "There's now more momentum behind all of this." Western oil executives predict a breakthrough agreement next week on construction of

chengen par et to enlarge

Ballie les

Central Asia, though rich in

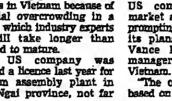
Moscow over the status of the Caspian Sea.

an agreement on joint con-The announcement is the latstruction of an export pipeline est sign that the Tengiz venfrom Tengiz. Until recently, the consor-tium included only the govern-ments of Russia, Kazakhstan and Oman and had failed to obtain financing because Chevron, the pipeline's main poten-tial client, refused to join in unless Oman cut its share of the venture to reflect its limited investment. Oman backed down in March, enabling the consortium to solicit fresh investors for a 50 per cent

Negotlators predict that Chevron, Mobil, British Gas, Agip and Oryx, the major of producers in Razakhstan, will conclude negotiations on investment in the pipeline venture next week. Lukoil and one or two other Russian oil companies are expected to join in

as well, in a trade-off aimed at increasing Russia's incentive for co-operation. Mr Jonathan Stern, consul-

tant for Gas Strategies in London, cautioned that Russia's co-operation in the pipeline is still far from assured. "The real issue is a political one," he said. Russia has tied its co-operation on Tengiz to political concessions by Kazakhstan, which is in dispute with





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HK businesses

NEWS: ASIA-PACIFIC

New Zealand inflation rises above target by Terry Hall in Wellington The Reserve Bank New at 0.6 per cent in the three three for the ware. The hearth of the three cent for the ware. The hearth of the cent of

economist with Westpac, said

ures as old news. He said there

was ample evidence that tight-

ening by the bank since the

end of the year meant that

The Reserve Bank, New Zealand'e central bank, narrowly breached its inflation target in the March quarter this year, the second time a target has been missed since it was placed in charge of monetary policy in 1990.

The bank announced yesterday that it had calculated quarter consumer price index. underlying inflation, its own which put inflation at 2.2 per measure of the cost of living, cent. This was primarily due to

pothol

he road to reconciliation between Australia's white com-

pledged to appoint a "special auditor"

to check ATSIC grants, and talked of

passing legislation which would allow for the installation of an administrator

at ATSIC if fraud or serious misman-

The move - one of the few substan-

tive new policy announcements made

since the government changed in early

March - appears to have been triggered

by allegations of financial irregularities

in the state-based Aboriginal Legal Ser-vices and some broader claims of gen-

eral mismanagement. Senator John

Herron, the new Aboriginal affairs min-

ister, says he has passed evidence of

alleged irregularities to the police. But, already, the action has caused an

outcry. The prime minister denies that

the changes amount to a "paternalistic

or undemocratic act", but many indige-

nous leaders think they smack of just

that. Soch interference, they argue,

undermines the basic principle of "self-determination", which has gov-

erned Australia's approach to Aborigi-

toralists have stepped up pressure to

resolve legal uncertainties which

resulted from the landmark Native Title

Australia had been uninhabited before

This did away with the notion that

Second, resource companies and pas-

nal affairs for the past 25 years.

Act of 1993.

N. Co

agement were evident.

cent for the year. The bank, charges

operating under an act of par-The breach caused no unset liament, is supposed to keep in the financial markets, where the markets regarded the figinflation below 2 per cent. The rates were little changed. Mr bank last breached the target Don Brash, the Reserve Bank in June last year, when inflagovernor, had previously said the bank had relaxed monetary The bank's statement folpolicy too much towards the inflation was now running et lowed the release of the March

end of last year and had forelower levels. cast underlying inflation of 2 "In any case, 0.1 of a per cent per cent for the quarter although private sector esti-

Mr Bevan Graham, chief things got a little too loose last

The Reserve Bank had predicted a 2 per cent inflation rate for the quarter. Signs of a slowing economy include falling GDP forecasts, and drops in the numbers of people being hired for work and in retail statistics. There are also

is not seen as a significant indications that the property breach." Mr Graham said. "It market is also slowing.

Figures showing the size of the current account deficit, to be released today, are the subject of more interest. There is growing concern at the deficit, which etood at NZ\$3.7bn (US\$2.5bn) in December or 4.7 per cent of GDP.

The current account has been deteriorating because of a high level of imports, encouraged by the strong New Zealand dollar and poor export statistics.

Taiwanese want more China ties restored

By Laura Tyson in Taipel

whether to permit Chinaowned shipping containers to enter the island's harbours, more Taiwanese are calling for a restoration of direct sea, air and communication links severed in 1949.

lished yesterday showed 52.3 per cent of 805 people surveyed aupported opening tha so-called san tung or "three directs" now. Just 26.5 per cent

China must be transferred into non-Chinese containers in a Beijing appointed body overthird port, such as Hong Kong, seeing the handover, says it is natural China feels uncomfortbefore being shipped to able about UK interests hold-

ing dominant positions in cernificant savings in transportatain industries. Hongkong Telecom has an tion costs for importers of Chinese products, a ministry official said. The proposal will exclusive franchise on international calls until 2006. Cathay be discussed today among varifaces tough competition from

Taipei has banned direct shipping and flights to China since the end of China's civil war in 1949. Earlier this week, Taiwan's economics minister, Mr Chiang Pin-kung, said his ministry would in June conclude e draft plan to allow direct transport links with China through certain special economic zones in Taiwan.

pany, appointing the operator's first ethnic Chinese chief execong Kong's businessmen have always utive in 1994. Sought to keep politics

Both Hongkong Telecom and Cathay Pacific have sold significant equity stakes to Citic Pacific, Beijing's main overseas investment vehicle. While Jardines has restricted

partnerships to joint ventures. it has played down its colonial past and sought to develop personal relationships with senior mainland officials.

Symbole have also baen important. The Unico Jacks have long disappeared from the tail of Cathay Pacific alrliners. Jardines has surrendered its steward's seat at the élite Hong Kong Jockey Club. Such strategies have their limits. Hongkong Telecom's British ownership has been highlighted by the merger talks between BT and C&W. Swire's alliance with Citic in aviation has failed to fend off CNAC, the airline arm of China'a aviation regulator, from planning to set up an operation

in Hong Kong. Mr Peter Sutch, chairman of Swire Pacific, warned at an economic conference last week against the threat of "unfet-tered" competition. "Long-term stability is critical if Hoog Kong's interests as an international business centre are to be served," he said.

But such arguments cut little ice with those seeking to enter lucrative sectors, in telecoms, too, local voices are aeeking to break Hongkong Telecom's monopoly. Hutchison Whampoa, New World and Wharf, some of the territory's biggest conglomerates, all with strong mainland connections, are seeking to win a slice of the international market.

The irony is that as Hong Kong approaches its return to the socialist motherland, such pressures may speed the rise of competition in long-regulated sectors. This would be more a reflection of political factors than the mainland's ettraction In response, the UKto market forces. But either way, it presents a threat to the UK-controlled incumbents.

sought to edapt their strate-gies. Cable and Wireless has strengthened Hongkong Tele-John Ridding com's identity as a local com-

Setback to Australia's race relations Cash and land issues are again dividing the white and Aboriginal communities, writes Nikki Tait European settlemeot and gave the The pattern of Austr Aboriginal community a national procedure for asserting native title rights for

munity and the country's quarter of a million Aborigines has always the first time. But it left open the quesbeen bumpy. But over the past week, tion of whether land which had previtwo developments have deepened the ously been subject to pastoral lease grants, was immune from such claims. First, the new conservative federal The issue is anything but a nicety. government has moved to tightened Pastoral leases cover large tracts of Australia's vast land mass, and in West-'accountability" at the Aboriginal and Torres Strait Islander Commission ern Australia two-thirds of mining (ATSIC), the main representative body through which about A\$900m leases are on land of this type. Once there is a native title claim registered (US\$710m) of federal funds are chanon a parcel of land, mining cannot pronelled annually to smaller law and ceed without a potentially long "right social welfare organisations. Mr John Howard, prime minister, has

tion reached 2.2 per cent.

to negotiate" process being triggered. The uncertainty has hit home most promineotly in northern Queensland, where RTZ-CRA, the London-based mining group, has a time-sensitive AS1.1bn zinc mine project ready to go. It originally imagined that past pastoral leases would have extinguished oative title rights. But, with this possibility no longer closed off, the local Waanyi people's claim has been registered. The mining group has warned that it may not oow make the required timescale and the project's future is uncertain.

These two issues - the accountability of public funds and the question of what land can be claimed - are in essence distinct. But that has not stopped them being linked in the media's, the public's, and, perhaps most important, the indigenous community's

Mr Noel Pearson, director of the Cape York Land Council and much respected for his role in negotiating the Native Title Act, has warned that relations between the two communities are seriously imperilled and that this could ultimately lead to Australia's international embarrassmeot.

"What I fear is going to happen is that there is going to be a slow develop-ment in the Aboriginal community of a sense of despair about the general direction of the country," he has cautioned. Come the year 2000, this could rico-

OUF NEW SOUTH P Pas Freehold and restri

chet directly on the Sydney Olympics. when Australia will be in the interna tional spotlight: "In four or five years' time yon are going to see all the ingredients for great unrest during the Olympics.

The hamfisted way in which the uneasy balance between white and black communities has suddenly turned into confrontation has even distressed. some of the coalition's own ranks. Mr Ian Viner, deputy chairman of the **Council for Aboriginal Reconciliation** and e former Aboriginal affairs minister under the Fraser regime in the 1980s, has described the ATSIC intervention as unnecessary and unwarranted.

Perhaps the biggest problem is that neither issue looks set for speedy resolution. A clarification of the Native Title Act could come either through a

High Court ruling or by legislation. For the moment, the main initiativ is with the courts. The High Court, the highest judicial authority, this week agreed to consider a claim by the Wik people over 35,000 sq km of Cape York -

including some valuable bauxite leases also owned by RTZ-CRA. The effect of pastoral lease on native title rights is the basic issue. But lawyers on the mining industry

side worry that the court tends to move slowly and rulings can take many months to deliver. A legislative solution could be speedier but would be fraught with political obstacles.

The issue of accountability, meanwhile, remains more fundamental, pitting Aboriginal claims for self-determination against a cost-conscious government's desire to see value for. money spent.

ting strategies and raising challenges for some traditionally dominant players. This is of particular concern to UK-controlled groups seeking to defend or develop posi-tions in strategic sectors. "Now

As Talwan officials mull

A public opinion poll pub-

empire, saw its participation in a new cootainer terminal opposed the move. The transport ministry has blocked, though Beijing's proposed to allow Chinese conobjections have now been lifted. and relations are on the mend. tainers containing goods bound for the Taiwan market to be For some, such political facunloaded in Taiwan ports. At tors are scarcely a surprise. present, goods coming from One business member of the preparatory committee, the

Taiwan.

The change would mean sig-

ous ministries. international carriers, but is the exclusive Hong Kong carrier on many of its routes. "These are politically sensitive sectors in any country," the committee member said. controlled companies have

International

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at arm's length. But as the ter-

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approaches, political consider-

ations loom larger, complica-

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NEWS: UK

was at a turning point.

per cent

Surprise jobless fall raises hopes of growth

By Gillian Tett, Economics Correspondent

Hopes that economic growth will pick up this spring were boosted yesterday after official figures showed that unemployment fell to its lowest level for five years last month.

The fall surprised the City and should provide welcome relief for the chancellor, who is hoping for a return of the feelgood factor this year.

However, the improvement also highlighted the interestrate dilemma that the government could face soon. Fnr

signs that the economy might be rebounding left the City more convinced that interest tion". rates will rise again later this year - possibly in the run-up a rate rise were fuelled by the to the next general election. publication of the minutes of

Mr Eddie George, governor of the Bank of England, the UK central bank, yesterday appeared to play down these expectations slightly, pointing out that there was still little sign the economy was over-

heating. Speaking in Nottingham, he argued that "there is no clear 6 per cent. However, he also warned that there was a "possibility that rates would have evidence at this stage that the to be raised again at some growth of demand is becoming point further ahead" if demand

exchequer.

By Alison Smith,

nt Corresponden

excessive or likely to put and output accelerated in the upwards pressure on infla-eccond half of this year, as expected.

Nevertheless, expectations of These comments, conpled with the strong employmant data, pushed UK government the March meeting between Mr George and Mr Kenneth bonds a % point down during the day. Short sterling futures, Clarke, the chancellor of the which indicate traders' expectations for rates, fell 14 basis This showed that the goverpoints to 93.72 for the Septemnor supported the recent interber contract.

est rate reduction from 6.25 to At this level, traders expect a rise in interest rates to more than 6.25 per cent by the autumn. These movements were

fuelled by the fact that the

Pension review

Other IFA's

Large' IFAs

Bancassuren

Product providers

strike in unemployment offices improvement in unemployment was largely unexpected. in February. This is thought to have raised the jobless total in After the numbers claiming that month - and then lowered unemployment benefit rose by a seasonally adjusted 6,000 in it slightly in March.

But in spite of this problem. February, some economists the picture of an improving thought that unemployment labour market was backed by a However, the Office for range of indicators. Average National Statistics yesterday said that February's rise had been more than reversed in March: the jobless total fell by uary.

27,000 in the month, leaving ing rose by 3,000 between Janu-ary and February, contrasting with a sudden fall the previous the unemployment rate at 7.8

earnings growth nudged up to 3.5 per cent in February, compared with 3.25 per cent in Jan-Employment in manufactur-

The ONS pointed out that the fall was exaggerated by a month

has been offen

UK NEWS DIGEST Minister plans house detention for minor crimes

The government is planning to replace prison sentences for minor criminal offences with a system of house detention monitored by electronic tags on convicts. Mr Michael Howard, the home secretary, is understood to favour the plan, which could save more than £10m (\$15.2m) of public expenditure and

ease pressure on the prison population. The signal of Home Office support for what will be known as "curfew orders" comes despite flerce criticism of regional trials of electronic tagging. Earlier this year, Mr Howard extended the tagging pilot programme after probation officers said the test had been a "joke", making people "guinea pigs for

an expensive and humiliating experiment". The trials in Manchester, Reading and Norfolk are the Home Office's second attempt to introduce the technology widely used in America, after a pilot programme flopped in 1989 when the tags were either defective or discarded by the offenders. James Harding, London

Scientists make BSE accusation

Dr Harash Narang and Dr Stephen Dealler, scientists who have spent years studying bovine spongitorm encephalopathy, clashed with the medical and veterinary establishments yesterday when they accused the government of overlooking their research into 'mad cow disease'. Dr Dealler, medical microbiologist at Burnley General Hos-

pital, claimed at a joint meeting of the Commons Agriculture and Health select committees that there was statistical evidence to show that BSE passed from cow to calf.

He also said large numbers of cases of BSE had gone unreported and farmers were continuing to take infected animals to market. Ha said he had offered to give his statistical analysis to the Ministry of Agriculture, but had received no Deborah Harareaves, London reply.

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Tories urge border relaxation

A group of senior Conservatives will today launch a report pressing the UK government to give up independent border

control and allow freedom of movement in Europe. Lord Howe, the former foreign secretary, will introduce the study into open frontiers and the European Union, which concludes that European frontier control should be accountable to the European Court of Justice.

The recommendations will incense the Conservative Euro

senior judge, and including Mr Tim Renton MP, a former Conservative immigration minister on its panel, concludes that "freedom of movement inside the European Union is inherently desirable."

and markets telephony equipment, has won a £3.4m order from British Telecommunications for digital telephone answering machines. The machines are manufactured under contract at Glenrothes, in Scotland, by Hughes Microelectronics, the US company. The order includes 60,000 Response 120 combined telephone answering machines which Phonebox designed and of which BT has sold 600,000. It also includes an order for a new telephone and answering machine to be launched by BT in May, Phonebox, which employs 15 people at Inverkeithing, says it is the only UK company designing answering machines. James Buxton, London

Board link with OFC directors

A director of a company described by the Department of Trade and industry as having made an "undeserved profit" in the investment scheme run by Ostrich Farming Corporation

IMF warning on |Pensions payouts amount to £6.5m interest cuts

From Robert Chote. Economics Editor, in Washington

Mr Kenneth Clarke, the chancellor of the exchequer, has little if any further scope to cut interest rates unless activity in the economy weakens markedly, the Interna-tional Monetary Fund warned yesterday.

In its latest World Economic Outlook, the IMF downgraded its growth forecasts for the UK for both this year and 1997. It argued that Britain was set to enjny "continued moderate growth" with national output expanding by 2.2 per cent this year and 2.7 per cent in 1997. The IMF takes a relatively pessimistic view of growth prospects compared to other fore-casters, in spite of being relatively optimistic in its predictions for most other industrial countries.

Growth appears to have been below potential through year to 2.6 per cent in 1997, most of last year, but underlyclose to the government's ing prospects remain favoura-ble," the IMF said. It added long-term target of 2.5 per cent or below.

of Appeal within the framework of a 14 of Law 2000/91 and its amendme

Life assurance companies and that output would be sup-ported by income tax cuts, independent financial advisers have paid out little more than 26.5m (\$9.9m) in compensation to people wrongly advised to buy personal pensions after 14 lower interest rates, the weakness of sterling and bealthy state of personal and corporate finances. The fund estimates months of the pensions review. This is likely to be just a tiny fraction of the total compensathat ontput is 2 per cent below its "potential" level at present and this gap will narrow to 1.2 tion bill, for which estimates per cent next year. Growth sbould be suffirange up to £4bn. The figure for compensation

paid was released yesterday by ciently strong to continue fuelling job creation. Employment growth is expected to slow to 0.5 per cent this year before picking up to 0.7 per cent in protect the private investor. 1997. This should reduce onemployment as a proportion of nies which fail to address the the workforce from 7.9 to 7.7 per cent.

review properly will be the subject of disciplinary action. The headline rate of inflation "Those who are not rolling up their sleeves will be disciis expected to edge down slowly during the remainder of plined and the penalties will be this year, now that earlier rises in industry's fuel and raw serious," said Mr Joe Palmer. PIA chairman. This is a change of attitude by the regulator, material costs bave worked through the production chain. Underlying inflation is expec-ted to fall from 2.8 per cent this which did not discipline com-panies that missed the first

systems.

ket

deadline for dealing with cases at the end of last year. The PIA and the Securities

plaints from life companies and Investments Board, the culty of carrying ont the chief regulator of the City of review, which involves re-

Phonebox wins BT order Phonebox, a company based in Fife, Scotland, which designs

encourage a flood of hostile and frivolous resolutions which they will have to circu-late at considerable expense. But the document suggests

London Internet |DTI opposes right to ask questions use leads Europe

By Alan Cane in London The conclusion was that in markets where competition is well developed, such as New York and London, customers London leads other European financial centres in availabil-

are more concerned with quality of telecommunications services, bnt lags behind New ity of service than price. York, research shows, A survey has revealed that nime out of 10 financial insti-London institutions were ahead of the rest of the world in making use of managed services and outsourcing - using third party suppliers to handle tutions in the City of London are either using or planning to their telecoms operations. use the Internet, the worldwide computer network, in Paris was the most conservative of the five cities on outspite of worries over security

By David Wighton in London

The government is against granting shareholders a legal right to ask questions at company annual general meetings, that companies have "an interthe Department of Trade and Industry said in a consultation est in encomaging responsible questions and promoting condocument published yesterday. structive debate". The paper concludes that the

handling of questions should be dealt with "in the development of best practice by companies".

Mr Donald Butcher, chairman of the UK Shareholders Association, said the compa-nies ehould encourage dissident shareholders and pressure

50

of pensions cases. how little has been achieved by the sector as a whole since the

the need for identifying and compensating the victims of advice was most urgent.

1994. The focus is on priority cases where the SIB said that

opening hundreds of thousands set out by the SIB in October

0.6 200 . 150 0.4

300

250

100 0.2

The PIA statistics underline

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The Templeman Enquiry, chaired by Lord Templeman, a

EU member states laid down the goal of a single market for goods, persons, services and capital without internal frontiers in the 1986 Single European Act. James Harding, London

. . . . Source: Personal Investment Authority the Section London, are thought to have lost patience with the com-

and advisers about the diffi-

broad terms of the review were

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the Personal Investment Networks Authority, the watchdog to At the same time, the PIA issued a warning that compa-

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ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY INTERNATIONAL TOURIST INVESTMENTS S.A. today operates the Hipportatous Melathron houl group (A' Class) in the Pashidi area of Cos Island on a plot of land with a total area of 71.440 sq. metres which includes an entrance hall, reception, lounge, restaurant, taverna, discotheque, indoor and outdoor swimming pools, toght club, tennis court, etc. Near the above bool an independent building "B' is a teen treeted which was increded in house a Proventive Medicine Centre, Beevase the relative permit was not issued by the authorhies, this building was converted in guest accommodation. It consists of two units: the "Maisopetics" which contains ten maisometics and 26 beds and the "Pavilion" which contains 18 guest bedrooms. According of special warrant No. 53453905 for the operation of the hotel, its capacity is 170 nooms with 315 beds. An on-the-speci inventory, however, Irus 422 beds in 201 rooms is a result of the conversion of building "B", etc. From 1984, the company under liquidation had begun building a new 444-bed knury hotel unit ton part of the plot of land upon which the lipporations Metaltion totel has been built. This is a little-stored building on ten levels. Construction work was supended and so far, all that has been exceted is part of the readirect oncrete deleton totaling 3.671 sq.m. in area largainst a planned total of 13.582.78 sg.m.t. The company also owns option of Lad totaling 50.381 sq.m. in the area of the kardanena community on the readmont of the conformation to the weathrow the starting building and other metallations is eventained in the Offering Memorandum to which you are referred.

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ANNOUNCES

a public auction for the highest bidder with scaled, binding offers for the purchase of the assess of INTERNATIONAL TOURIST INVESTMENTS S.A. 11PPOKRATOUS MELATHRON Hotel1 established in Aftern.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

TERMS OF THE ANNOUNCEMENT

The autom will be carried out in accordance with the provisions of article 46a of Law (392)[994] complemented by article [4 of Law [3920/(991] as loday in force; the terms contained in the present Announcement and the terms contained in the Law (over 1999) contained in the present Anneumement and the terms contained in the Othering Memorandum, regardless of whether they are repeated or not in the Announcement. The submission of a binding offer implies acceptance of all them

- interested pames may obtain the detailed Offering Memorandum and any other
- interested parties have botch out occurred outpering scientostandin and any other information after sympty a confidentiality agreement. In order to participate in the auction, interested parties are unwired iff aubinut o scaled, bruthing offer to the Athens Notary Public assessed to the auction Mes. Printy off Alexandrou Graceropoulou, Vantopoulou, 34 Panepistuniou Street, 2nd floor, offices 3, 4 and 5, tel: «341-364.5173, 364.2552 ratio fast up to 12.000 nom on Thursday, 10 May 1996

more orners of a ma 2, net and 1,443,5173, 363,2552 (also fast) up to 12,00 more on Thankay. In May 1996 Offers must be submared in person or by a legally anthorised representative. Offers submarted beyond the time limit will not be accepted or considered. The buildingness of the offers will remain in force until the adjudication. Offers on behalf of named third parases will be solid only if they are declared on submission and personally, quaranteed by the offeror to faiffi the obligations of the soli-centrate. Offers must ensue the announce and manner of payment of the offered prace or to any other essential matter concerning the sale. The liquidation and the conducts have the right, at their incontrol ensues to the area offers on the contain terms and exceptions, regardless of whether they are higher than others, or ignore such terms and exceptions, in which case the offer aemans building as far as the rest of its content is contained as whether they are higher than others, or space rest of its content is contential. On perality of my shufty, offers must be accompatied by a letter of guarantee from a bank legally operating, in Greece, valid arall the operative of the sale contract, as per specifier without of the offerang Memorandiant to the amount of a hundred and averity milbro dischamas (120)/RUUTOP.

- and receipt number arximizer (1990) with the second state of the office at 13.00 The offers will be open and by the above-meansmell notary in her office at 13.00 hours on Thursday 16 May 1996, Persons having submitted offers without the time lunst are estudied or attend.
- lanst are entitled or attend. The highest budger is the one whose offer has been evaluated by the lagualator and judged by the creditor ETBA S A, following the proposal of the liquidator, as being the most satisfactory for the creditors of the company under liquidation. The elements that make up the company's assets are being sold and will be transferred 'as is and where is' and, more spectrically, or their actual and legal condition and wherever they are on the date of signature of the final contract. The and the creation are not lightle for legal or actual faults or deficiencies in a qualities of the objects for sale, nor for implaceomplete or bas any of the qualities of the objects for sale, in description of them in the Offering Memorandum.
- description of them in the Offering Memorandum. In the event that payment is to be on credit, the current value will be taken into account and will be calculated at the fived rate of interest for all offen, thas being the rate in force, at the tupe of ournassion of the offer, for interest-bearing Greek State boahs of a year's duration, with annual compound interest. In the event that the party to whom the averts for sub take been adjustment fails
- In the event there the party to whole the excess for the inverse been animateneous raises in his obligation in appear and a sign the relative contrast at the most and place set in the lugaritative is invitation and abide by the obligations contained in the present announcement, then the annount of the guarantee stated above is forfeited to the Liquiditate to cover expenses of all kinds, think equal that is not in the present sufficient by humself and by the creations with no obligation on his part to provide evidence of such loss or consider that the annount has been furferied as a penalty above the collect if form the discretion both. huse, and collect it from the customer bank.
- clause, and collect it from the guarantine tenk.
 10. The laqualator bears no responsibility or obligation towards participants in the statistic responsibility of the evaluation report on the bids or to the dispublicy's proposal regarding the highest budder. Also he is not responsible and has no obligation to participants or the eaction in the event of a cancellation or in sublations of the auction if its result is denated instatisfactory.
 11. These participants is the auction and who have subanted offers do not acquire the participants.
- any entitement, clause of demand, on the strength of the present amountement of their participation in the auction, against the liquidator or the creditors for any ****** of 255500.
- cause or resonance of transferring the ownershap of the assets for sale (taxes, fees, rights and other expanses) are or be home by the buyer.

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For any further mioranton on the company for sale, interested buyers may refer to the relative Offering Memoranduor, which may be obtained from our offices at 1 Eratoribenous Street, 4th floor, Athens, Greece, tel: +30-1-72e.0210, 726.0278, 726.0291 and 726.0500 Fax: +30-1-726.0864

while eight out of 10 have put sourcing with only one comin place, or are planning to pany in five making use of the nse, video conferencing option.

The survey also found that By comparison, only 70 per European and US companies were mainly worried by new competition to their busicent of financial institutions m Paris are investigating use of the Internet and less than nesses, while many Tokyo half that percentage are using respondents considered there video conferencing. The research, commissioned were on threats at all

The greatest opportunities by Mercury Communications, for most respondents were glo-balisation, expansion into new the UK'e second-largest telecoms operator, covered 200 overseas markets and diversifinancial institutions in New fication into new products. York, London, Tokyo, Paris The role of telecommunications in global finance. Mercury

and Frankfurt. Companies sur-Communications, New Mercury House, London WCIR 4HQ, UK veyed include the Alexander Howden Gronp, Dentsche Bank and Reuters. F300

Rigid rules might make asking questions more difficult and hamper companies in con-ducting meetings. However tha government gestion that the thresholds looks more favourably on the which qualify shareholders to

proposal that companies be put forward resolutions should required to pay for the printing be tightened. The government proposes that the rules, which were set in 1948 and which and circulation of shareholders' resolutions in advance of "For shareholders, the currequire groups to have the

backing of 100 shareholders rent legal provisions, espewith £10,000 of paid up capital, be upgraded to take account of cially as regards costs, may in some circumstances deter inflation over the period. shareholders from proceeding The document also suggests with the resolution. that backers of a resolution

Some companies have would have to have held expressed concern that a shares for a minimum period. change in the law would such as a year.

groups to put forward resoluserves with two OFC directors on the board of a third com tions "to channel criticism in a pany. Mr Jack Bennett is a director both of Wallstreet Corpomore constructive way". He also supported the sugration (UK), named in the DTI's winding-up petition against OFC, and of Ostrich Breeding Corporation, where Mr Brian

Ketchell and Mr Allan Walker of OFC are also on the board. The DTI is seeking to close OFC, which "guaranteed" ostrich owners annual returns exceeding 51 per cent through a chick allocation and buy-back scheme. The Serious Fraud Office is also investigating OFC. The DTT's petition filed in the High Court says Wallstreet Corporation and another company. Wall Street LLC, bought ostriches at market price from Mr Eddy Nachtergaele, a Belgian animal breeder, and sold them on at much higher prices to OFC, making "substantial profits... for no discernible benefit."

Mr Bennett, described in Companies House filings as a "consultant", was not available for comment. Mr Mark Cham-berlain, Wallstreet's other director, said: "I'm afraid I've got no comment to make at all."

 Ostrich Breeding Company, which trades in Swansea as the Ostrich Centre, said it had no connection with OFC. Ostrich Breeding Corporation or any other company in the sector. Clay Harris, London

FT plans to cut jobs

The management of the Financial Times yesterday announced a reorganisation and cost-cutting plan which would result in 30 journalists being made redundant - some of them comput-

sory. Mr Richard Lambert, editor of the Financial Times, said in briefings with senior staff that the plans would cut 5 per cent from the editorial budget and that half the savings would be reinvested in the paper. This is not a crude cost-cutting exercise. Significant new

investment will go into the paper," Mr Lambert said last night. The FT editor was speaking shortly after 170 members of the National Union of Journalists voted unanimously in support of a motion declaring no confidence in the editor and Mr Andrew Gowers, his deputy. Raymond Snoddy, London

Private health plan vetoed

Mr Stephen Dorrell, health secretary, has overturned a ruling by a ministerial colleague that National Health Service trusts could raise extra cash by offering private health insurance.

The controversial plan was approved by Mr Gerry Malone, the right-wing health minister, who said it was legally possible provided - among other things - it did not pose an unaccept able risk to public funds. But the idea alarmed Mr Dorrell, who feared it could fuel Labour claims that the government was intent on privatising the health service. George Parker. Political Staff

New headache for Lloyd's as High **Court rejects adjournment plea**

By Ralph Atkins, ce Comespondent

Leaders of some of the most powerful Names' action groups Lloyd's of London faced a fresh backed the adjournment, headache last night when which they believed would plans to adjuurn an important legal case were rejected by the help yield significant benefits for their members under Higb Court - despite delay being backed by a significant Lloyd's ambitious recovery plan and accompanying ont-ofbody of lossmaking Names. court settlement offer The decision is unwelcome

standing debts at the market.

But the proposed adjournfor Lloyd's because it bad ment angered other Names who believed leaders of the hoped the adjournment would signal a rapprochement with embittered Names, individuals Gooda Walker and Feltrim action gronps were seeking special favours and that the whose assets have traditionally negotiating hand of litigating Names was being weakened. supported the insurance mar-Mr Christopher Stockwell,

The case would test Lloyd's ability to change the insurance chairman of the umbrella market'e rules so damages won Lloyd'e Names Associations' in court by lossmaking Names Working Party, said Names "need to know they can keep \$2.8bn out-of-court award to than \$10m in damages. are used to settle their out-

the winnings of auccessful lossmaking and litigating actions, not lose them into the Lloyd's black hole". The Bromley Names' losses If Lloyd's recovery plan sucwere caused by a succession of catastrophes in the late 1980s

ceeds, the case's significance will be lessened, although it and early 1990s, including the Piper Alpha North Sea oil rig could alter the distribution of the out-of-court settlement. But disaster and European storms. it provides a disruptive diver-Mr Roy Bromley, underwriter on Lloyd's syndicate Separately, a further 800 475, committed suicide in 1993.

Names won the latest stage of The level of damages has their court battle for damages still to be decided. The action for more than £70m (\$106m) in group said it would aeek to recover as much of its mem-bers' losses as possible. losses. The Bromley 475 Names

But Clyde & Co, the legal action group said a High Court raling showed they were vicfirm representing the insurers which provided Lloyd's agentims of negligent underwriting. It would strengthan the cies with cover against negligence awards, said the Bromgroup's hand in negotiations with Lloyd's over a proposed ley Names may obtain less

Cheque reforms 'may cost up to 30,000 jobs'

By George Graham,

Banking Correspondent

The claim is made in a response to the Treasury's pro-Treasury plans to reform a 19th century law on cheque posals for reforms to the 1882 Bills of Exchange Act. The act handling could cost up to requires cheques to be returned physically to the branch on which they were

since 1990.

The proposed reforms would allow the banks to transfer information from cheques electronically. This could not only cut the number of clerical staff the UK financial sector, which

has already lost 150,000 jobs required to enter data from branch and account number favour of electronic payments

ink on the cheque. Most banks are not planning

an electronic image of each cheque, largely because of expense

held at the clearing centres run by the paying bank. Much more dramatic in its

effects on employment in the banking sector is the long-term line" - details of the bank decline in the use of cheques in annual saving in banks' costs.

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which are printed in magnetic such as direct debits and debit cards.

The number of cheques proto move to the transmission of cessed by banks reached a

> analyst at stockbrokers Credit Lyonnais Laing, estimates that technological changes, productivity gains and reductions in the volume of labour could by



SCTULINGERT PRICE STUDIO (~7%) SUBJODO BANGUEZ BORN (SE BAL Aun. Leh. Gret, etc., Wanne Exelst (Se Bart Lange) Press SUBJOY (Se Banguez) (SE Barts) (Se Bart Lange) SUBJOY (Se Barts) (Se Barts) (Se Barts) (Se Barts) SUBJOY (Se Barts) (Se Barts) (Se Barts) (Se Barts) SUBJOY (Se Barts) (Se Barts) (Se Barts) (Se Barts) SUBJOY (Se Barts) Barts) (Se Barts) (Se Barts) (Se Barts) (Se Barts) Barts) (Se Barts) (Se Barts) (Se Barts) (Se Barts) Barts) (Se Barts) (Se Barts) (Se Barts) (Se Barts) (Se Barts) Barts) (Se Barts)



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30,000 jobs, the British banking union Bifu claimed yesterday. Bifu said the introduction of electronic cbeque-clearing drawn. could bring a 40 per cent reduc-

tion in employment in chequeprocessing centres. This would mean a 10 per cent cut across

each cheque but also reduce the number of errors. Banking officials said the

Bifu estimates of job losses appeared to be flawed. Although it is hard to establish the number of people employed

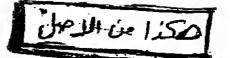
in cheque clearing, the reforms are not expected to have dramatic consequences.

Banks have already introduced the electronic interchange of data from the "code-

Instead, cheques would be

peak of 8.12bn in 1990, but has since fallen to 2.82bn last year. Mr Peter Dutton, banking

the year 2000 lead to a £2bn



Ninitian of the control for th

Ideological realignment being carried out by Mr Tony Blair, the party leader, Mr Cook said links with trades unions were at the party's core.

council elections, are likely to be ing those on the top rate of tax that seized on by Tories as a further demonstration of shadow cabinet resistance to Mr Blair's transformation of the party.

they would not be penalised under a Labour government "Tha poor may be many times

Barlier this week Ms Clare Short, get a tenth of the public attention,"

speech set him at odds with the party leader. Mr Cook's speech had been issued in consultation with his office and which "entirely accords with what Tony has been saying for a long time", they said.

deep social divisions that we see

everyday". However, Mr Cook went considerably further. Two core values, he said, differentiated Labour from the Conservatives - a commitment to

Mr Blair had always believed that community and "our belief in equality, our recognition that every "These are values which the Labour party shares with the union

"New Labour speaks for the major-ity of Britain," Mr Cook added. "In Tory Britain, It is only the privileged few who are content. Labour must speak for the poor. Because we understand that if we accept a society that does not help those who are vulnerable and weak, then it will not help us when we are vulnerable and weak."

Europe By Robert Peston, **Political Editor** Ministers are urging the prime

Sceptics

blast at

urge BSE

minister to mount a vigorous anti-Enropean campaign pinned to the beef crisis as the best way of uniting the Tory party in the wake of last week's embarrassing by-electico defeat.

The initiative has the support of Eurosceptic members of the cabinet and moderate pro-Europeans. It will be discussed today at a ministerial meeting. chaired by Mr Tony Newton, the leader of the House, called to address the BSE issue.

The proposal, which minis ters last night said was likely to be adopted, is for a cam-paign accusing the European Union of abandoning free trade principals with the imposition of the ban on the exports of

British beef products. It would be coupled with briefings on the government's legal challenge to the EU's worldwide beef ban.

"Europe is the issue which more than any other has split the party", said a senior mem-ber of the cabinet. "Beef has presented us with a heavensent opportunity to heal the wounds"

Consideration is being given to the use of "dirty" tactics to bring to the attention of other EU governments the costs of their action in banning British beef. "We are the only government in Europe which fights according to the rules and It makes us a laughing stock" said a minister.

"We should plant stories in Paris Match and other foreign newspapers pointing out that BSE afflicts Continental herds".

There is a suggestion that the government should he more aggressive in dealings with those domestic food groups which have shied away from buying British beef.

Ministers acknowledged the urgency of the anti-European initiative to restore the badly battered morale of Tory MPs. Several Conservative backbenchers said yesterday that they were resigned to defeat at the next general election.

As the prime minister yester-day embarked on a short tour of Eastern Europe and Russia - which inclodes attending the G8 nuclear summit in Moscow - It emerged that he has ruled

ont a significant cabinet

reshuffle to restore party for-

tunes. He has told colleagues

that "throwing Christians to

the lions" just for the sake of it

Dr Harash Narang and Dr

Stephen Dealler, scientists who

bovine spongiform encephalo

pathy, clashed with the medi-

cal and veterinary establish-

ments yesterday when they

accused the government of

overlooking their research,

Dr Dealler, medical microbi-

ologist at Burnley General Hos-

pital, said at a joint meeting of

the Commons agriculture and

health committees that there

was statistical evidence to

show that BSE passed from

Dr Keith Meldrum, the min-

istry's chief veterinary officer,

challenged Dr Dealler's asser-

tion about maternal transmis sion, pointing to a study quoted in the Veterinary

Record which found no sign of

Dr Narang, a former virolo

gist with the Public Health

Laboratory Service in Newcas

tle-upon-Tyne, said his urine

test for detecting BSE in live

cow to calf.

it in 290 herds.

Deborah Hargreaves writes.

have spent years studying

would serve little purpose.

A display of local difficulties The two main parties showed early symptoms of triumphalism and truculence yesterday as they

launched their campaigns for next month's local govern-ment elections. The set-piece LOCAL

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occasions dem-**ELECTIONS** onstrated the May 2 gulf in confidence between

Labour and the Conservatives. For Mr Brian Mawhinney, the Tory chairman, the main prior-ity was to shore up morale following last week's humiliating by-election defeat in Staffordshire South East

He also wanted to get the show on ths road with a little more aplomb than a year ago when his predecessor, Mr Jer-emy Hanley, suggested that abour councils were endemically corrupt.

The gremlins, however, struck again. The press confer-ence at Central Office was overshadowed by Mr Mawhinney's earlier outburst on BBC radio's Today programme, in which he accused the presenter

The two main parties showed triumphalism and truculence at press conferences yesterday

of suggesting that "we should dump the prime minister". The trouble for the Tories is bank Tower. On their way journalists were treated to a picture opportunity involving. Mr Mawhinney, Mr Heseltine that their twin-pronged message did not seem to get and Mr John Gummer, enviacross. Their assertion that ronment secretary, standing council tax is higher in beside artistically composed Labour-run areas became mired in the detail - the Tories piles of baked bean tins. The Labour ones sported the label, "Has Beans", the LihDems' using one particular band as "Half-baked beans".

their criterion, Labour choosing a national average. Their claim that one day the economic feelgood factor will impinge on the consciousness of the voter is, on the evidence of the by-election and opinion' polls, falling on deaf ears. It was left to Mr Mawhinney

to field questions about Mr Mr Mawhinney railed at the John Major's grip on power interviswer, guffaws were heard at the back of the room, and to forecast the extent of the drubbing expected on May 2. The only prediction he was including Mr Blair's two close aides - Mr Peter Mandelson prepared to make was thet the and Mr Alastair Campbell, Yet Tories would win the general when a television cameraman election sought to film them, they both displayed uncharacteristic coy-

Proceedings were wound up in time for the assembled to ness and turned away. make the five-minute walk to Labour's conference in Mill-

Tory chairman for blurting out what is really being thought by most Tory MPs at the moment - dump the prims minister." As Mr Prescott and Mr Frank Dobson, shadow environment

secretary, attacked the Tories in typically bruising fashion, Mr Blahr smiled presidentially. He sought to debunk the image of high-spending irresponsible Labour local government, highlighting education programmes in several councils. Tory hopes of persnading people of better times around the corner were illusory, he said. The Labour leadership also

There was not a hint of iras-cibility at the Labour media declined offers to predict the outcome on May 2. Mr Dobson centre, only muzak wafting said many of those up for grabs were in staunchly safe through the loudspeakers. As a warm-up to the arrival on the podium of Mr Tony Blair, the party leader, a recording of the Tory areas, such as Mr Major's hackyard of Huntingdon, where the Conservatives still radio interview was played. As hold sway on the council.

"Even under the present inept leadership the Tories can't possibly lose another 2,000 seats this year." Mr Dob-son said. "That's because they've only got 1,218 seats to lose."

John Kampfner This is the latest in n series of

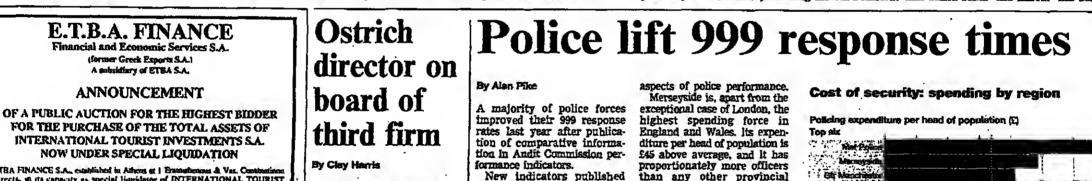
Mr Prescott taunted Mr articles by FT writers in the run Mawhinney: "I must thank the up to the local elections.

AN ARBITAL MARKING MISSING

Canned laughter; Brian Mawhinney, John Gummer and Michael Heseltine launch their campaign yesterday with stacks representing Liberal Democrat 'half baked beans' and Labour 'has beans'

Northandse

W Mich



ETBA FINANCE S.A., established in Athens et l'Emmathements & Vez. Constantinon Street4, an its capacity as special liquidator of INTERNATIONAL TOURIST INVESTMENTS S.A. in accordance with Decision No. 743/1996 of the Athena Court of Appeal within the formerwork of article 46a of Law 1892/90, supplemented by article 14 of Law 2000/91 and an amerikanests ANNOUNCES

By Clay Harris

A director of a company described by the Department of Trade and Industry as having

New indicators published yesterday show that, in 75 per cent of English and Welsh forces, officers reached a made an "undeserved profit" in higher proportion of urgent

ment action than some other

The proportion of calls treated

ably between forces, and can

Cleveland showed the hig-

as emergencies varies consider-

influence response times.

diture per head of population is \$45 above average, and it has proportionately more officers than any other provincial

force. Yet its success rate at meeting emergency response times is, at 68 per cent, the poorest in

line affert for the purchase of th a public' suction for the highest biddler with scaled, bi ASSESS OF INTERNATIONAL TOURIST INVESTMENTS S.A. (IPPOKRATOUS MELATHRON Hord) ocabilisted in Advers.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY INTERNATIONAL TOURIST INVESTMENTS S.A. today operants the Eppocratous Metalthon hold group (A'Class) in the Pashidi area of Can Island on a plot of and with a total area of 71,440 sq. metres which includes an entrance ball, reception, lounge, estaurant, taxerna, doconteque, indoor and outdior swimming pools, night club, termis outri, etk. Neat the above hotel an independent building "B' has been ercord which was introdued to house a Preventive Medicine Contern. Because the relative portait was not resuld by the authorities, this building was converted to gatest accommodation. It conserve of two matters the "Maisonetter" which contains tan unsistenettes and 26 bods and the "Pavillen" which contains 18 guests bedrooma. According in special warrant No. 34540495 for the operation of the botel, we capacity in 170 rooms with 315 bods. An out-the-spoil reventory, however, lists 422 beds in 201 rooms (as a result of the convertion of building "B', exit. From 1984, the company under liquidication had begins building a new 444-bed luxury hotel unit (on part of the plot of land upon which the lipocrations. Melantwon here has been huilt). This is a three-story building on we levels. Constituation work was supercheal and as far, all that has been exceed of on the levels. Constituation work was appended of Gas. A full analysis of the excited area of the kardamen, community on the related of Cas. A full analysis of the excited is pushing and other matallations to contained of Cas. A full analysis of the excited is area of the kardamen scenturing a contained of Cas. A full analysis of the excited is pushing and other matallations to contained in the Offering Memorandum to which you dividented ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY and telephole

TERMS OF THE ANNOUNCEMENT

The mattern will be carried out in accordance with the provisions of article 46a of 1 av (1802)(1901) complemented by article 14 of Law 2000/1991 as today in force; the forms contained in the present Announcement and the terms contained at the (Hiering: Memorandum, reportless of whether they are repeated or not in the various contained in the constructment. The subsystem of a banding offer implies acceptance of all these

increated parties may obtain the detailed Offering Memorandum and any other

International fails again and the failer and generating international and the second s in Thursday, 10 May 1940

insign on consider to any other reasons noting an animal when when an and lunit are entitled to attend the higher builder to be one whence effer has been evaluated by the logaritator and and do in the creditor ETRA S.A., following the proposal of the logaritator, as being the creditor ETRA S.A., following the proposal of the logaritator. The former to creditor that has been the creditors of the company under logaritator. The elements that make up the company's assets are being and and will be transferred "as is and where is" and, more specifically, in their actual and legal resolution and wherever they are on the date of agentitue of the final contract. The invision and warever new are on or one or appendix or an all the forenesses in hypothese and the reaching are the hable for legal or artial lands or deficiencies in any of the qualities or the objects for sale, nor for any incomplete or had deverythen of them as the Officing Memorandem

A wrighten of them in the Officing Memorandrum In the create that payment is to be on credit, the current value will be taken into a visit and will be valended at the fixed rate of interest for all offices, this being its take will have, at the time of automission of the offer, for interest-bearing Greek State bould of a year's christian, with around compound interest its take with a search christian, with around compound interest its the count tax the party is when the every too safe have been adjudicated fails at less the ladge too to appear and a men the relative compound at the time adjudicated fails

It the event that the party by when the avaety for sale have been adjudicated fails or her related to appear and a map the relative contract at the time and place set in the installation to appear and a hade by the obligations contained in the present are one could, then the astronat of the guarantice stated above is forfeited to the hypothesis to color experiment of all kinds, tone spent and any real or paper loss unitered by lumenth and by the creditage with no obligation on his part to provide evaluate the total draw or contactor that the arcount has been forfeited as a penalty clarge, and a form the guarantic that the arcount has been forfeited as a penalty

lates, and i want a from the guaranter burk. classed, and collect a from the guarantee bark.
(i) The inguidable bears not requested bits, or obligation investits participants in the samples bears not request to the dealing of the evaluation report on the balls or to the instants' is proposed any available the bightest badler. Also he is not requestable and tax any relegation to participants in the samples badler. Also he is not requestable and tax any relegation to participants in the samples badler. Also he is not requestable and tax any relegation to participants in the samples badler. Also he is not requestable and tax any relegation to participants in the samples badler. Also he is not requestion or investigation of the same and the later tax and the have submission defensed and excessed announcement or the a participants. Also he is result to he present announcement or the a participants in the samples of the present announcement or the a participant.

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the investment scheme run by Ostrich Farming Corporation serves with two OFC directors on a third company.

Mr Jack Bennett is a director of Wallstreet Corporation (UK), named in the DTT's winding-up petition against OFC, and of Ostrich Breeding Corporation, where Mr Brian Ketchell and Mr Allan Walker, of OFC, are also on the board.

The DTI is seeking to close OFC, which "guaranteed" ostrich owners annual returns over 51 per cent through a chick allocation and buy-back scheme. The Serious Fraud Office is also investigating OFC. The DTI's petition claims

Wallstreet and another com-pany, Wall Street LLC, bought ostriches at market price from a Belgian animal breeder, and sold them on at higher prices to OFC, making "substantial profits...for no discernible benefit".

Mr Bennett was not available for comment

Ostrich Breeding Corpora-tion was described as "dorcent last year. mant" by Mr Peter Chapman, of Ashfield Commercial Services, the Nottingham firm listed on its Companies House return. Ostrich Breeding Company, which trades in Swansea as the Ostrich Centre, said it had no

connection with any other company in the sector.

incidents within target times the country apart from Dorset. in 1994-95 than in 1993-94. Many The Merseyside clear-np rate forces also improved on their control room targets for answering incoming 999 tele-

for violent crune also fell by 13.4 per cent between 1993-94 and 1994-95 - a time when a phone calls without delay. majority of forces improved Quick response to emergentheir performance. cies is shown in surveys con-

The Audit Commission ducted for the commission to report emphasises, however, be a top policing priority for the public. It is an area that is that recruiting more police officers does not automatically far more amenable to managelead to an increase in the pro portion of crime solved. Sucpriorities, such as crime and cessful detection of crime, it detection rates, and hence says, also depended on how more open to improvement. officers were deployed.

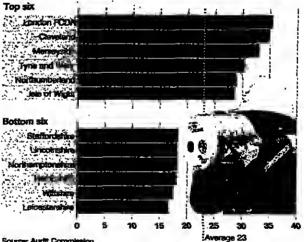
"Increasing detection rates can follow from effectively focusing detection on known criminals and using civilians to do paperwork to release police officers' time."

gest improvement in emer-Mr Andrew Foster, commisgency response times between 1993-94 and 1994-95. The force sion controller, said that forces met its target response times had taken welcome steps to in 92 per cent of incidents in inform the public about their 1991-95, compared with only 66 per cent the year before. The performance. It would help if in future they explained to most serious decline in perforlocal communities how mance was by Dorset, where increases in funding were the success rate fell from 81 per cent in 1993-94 to 59 per spent, and what targets had been set for service improvements.

Average expenditure per Yesterday's performance head of population on the indicators, the last of an police service last year was £101, but it varies considerably annual series examining local suthority services, also provide between forces. Spending is at information on the fire service. its highest in heavily popu-This shows that, at an average expenditure of £23 per head of population, almost all fire brilated urban areas. The indicators show, however, that there is no simple link between lev-els of expenditure and specific dance standards for at least

Bottom vix Destaval W Merch Suffe 120 150 80 180 210 Average 101

Fire services expenditure per head of population (£)



war Audit Completion

nine out of ten fire calls. "By this measure," says the report, "the fire service is one of the most consistently highperforming services in local year improvements.

government." The level of performance was so high that it was difficult for most brigades to achieve significant year-on-

cattle and CJD in humans had been dismissed by the ministries of health and agriculture. Mr Meldrum said he would set up an independent audit to validate Dr Narang's claims.

Dorrell rules out health trust insurance schemes

ston.

By George Parker, Political Staff

Mr Stephen Dorrell, the health secretary, has overturned a ruling by a ministerial colleague that NHS trusts could raise extra cash by offering private health insurance. The controversial plan was approved by Mr Gerry Malone, the rightwing health minister. who said it was legally possible provided - among other things

- it did not pose an unaccept-able risk to public funds. But the idea alarmed Mr Dorrell, who feared it could fuel Labour claims that the government was intent on privatising the health service.

Mr Dorrell moved quickly to quash the idea, and gave an unusually frank answer to a written Commons question from Mr Eddie Loyden, the it is understood that some Labour MP for Liverpool Gar-

He insisted Mr Malone had purely been setting out the legal position that NHS trusts had the power to geoerate additional income, provided it

ever, made it clear I do not believe that private health insurance plans could in any circomstances meet that requirement.

There are, therefore, no such schemes on offer from NHS trusts nor do trusts have any plans to introduce such schemes."

Labour called on Mr Dorrell to block the move following reports that some NHS trusts planned to market their own brands of private insurance.

rauging from "private care clubs", offering privileged treatment on public wards, to health insurance covering treatment in private wings in NHS hospitals. Proposals for NHS trust bealth insurance were set out

by Mr George Orros, the chief executive of Universal Health Consultants, in an article in the 1996 edition of the authoritative Fitzhugh Directory of NHS Trusts.

under the names of well-known NHS hospitals might have proved a potentially valuable

Senior Tories to press for free movement inside EU

It is published by the Action

By James Harding

group of seuior Conservatives will today launch a report pressing the government to give up independent border control.

Lord Bowe, the former foreign secretary, will present the study into open frontiers, which concludes that European frontier control should and needs to be remedied by be accountable to the Euromore integration in Europe," pean Court of Justice. the report says.

The recommendations will incense the Tory Eurosceptics. Centre for Europe, whose pres-Sir Teddy Taylor, the former ident is Lord Whitelaw, former deputy prime minister. Its Tory rebel, said the report's authors "are either clowns council includes Mr Kenneth whn do not understand the Clarke, the chancellor, and Sir importance of this issue, or Leon Brittan, the UK's senior they want to create a single commissioner in Brussels. The country called Europe". Templeman euquiry acted

The Templeman Equiry, independently of ACE. chaired by Lord Templeman, a EU member states laid down

senior judge, and including on the objective of a single ma its panel Mr Tim Renton MP, a ket for goods, people, services former Conservative immigraand capital - without internal tion minister, concludes that frontiers - in the 1986 Single "freedom of movement inside European Act But the UK has insisted that the European Union is inherentiy desirable".

independent control of its "The stand-off between frontiers is necessary to con-Britain and Its European trol immigration and combat Union partners over internal crime. frontiers is counterproductive

The report disagrees with the government, arguing that a large proportion of illegal immigrants are people who enter the country legally but overstay their right to remain. It also rejects the view that without border controls the UK will be subsumed by Europe: "Frontier controls may have symbolic significance, but they are not essential for national sovereignty, national security or national identity."

trusts were considering ideas did not jeopardise public funds. But he added: "I have, how-

Private insurance offered

source of income. Mr Dorrell is anxious to prevent Labour exploiting fears about the NHS at the next general election, as it did in 1992.

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Prion protein role in a good night's sleep

Until recently, there have been few clues about the normal function of prions, the proteins implicated in BSE in cattle and Creutzfeldt-Jakob in people. But a report in today's Nature magazine suggests that prions may play a role in regulating sleep. Researchers at the University of Zürich in Switzerland found that genetically engineered mice, which lack the prion protein, had abnormal sleep patterns and circadian rhythms. Their sleep was far more disturbed and fragmented than in normal mice. A further link between prions and sleep regulation is provided by the similarities between the symptoms of the prion-deficient mice and those suffered by people with an inherited prion disease called fatal familial insomnia. University of Zurich: Switzerland, tel 4112575957; fax 4112575707.

Cell breakthrough for genetic therapy

Genetic code blockers, which interfere with the action of certain genes, could eventually treat some diseases, such as cancer. By introducing strands of nucleotides into the cell, specific genes or gene sequences can be blocked, preventing production of disease-causing proteins. One of the biggest problems with this technique is getting the long, highly charmed nucleotides long, highly charged nucleotides to pass readily through the fatty, lipid walls of cells. Now scientists at Gllead Sciences in California and Glaxo Wellcome believe they have made a significant advance by developing an improved lipid "permeation enhancer" that efficiently transfers the nucleatides across cell walls. The technique, reported in this week's Proceedings of the National Academy of Sciences, is

also being used to explore therapeutic applications for the treatment of viral diseases. Gilead Sciences: US, tel 415 5734858; fax 415 5734800.

Automatic Arabic translation

Worth Watching · Vanessa Houlder

A machine translation system has been developed to translate English into Arabic. The Al-Mutarjim Al-Arabey contains more than 2m words; it will translate at a speed of 6,000 words a minute on a pentium 90

TransCo: UK, tel (0)181 569 8282; fax (0)181 559 8822.

3D x-ray lithography micro-technique

A pioneering micro-engineering technique that can make components with features as components with reatures as small as a micron (a thousandth of a millimetre) has found a commercial application. Oxley Developments Company, a precision engineering company, has used three-dimensional deep

x-ray lithography to make a passive optical switch for fibre optic networks, to what it believes is the first commercial application in the UK. The lithographic process involves shining x-rays on a polymer that is partly shielded by a gold mask. Deep x-ray lithography achieves finer details than optical lithography (which is widely used to make semiconductor chips) because semiconductor chips) declarse x-rays have a much shorter wavelength than ultraviolet light. Oxley worked in parinership with the Institut für Mikrotech in

Mainz, Germany and with Lancaster University in the UK, under the Teaching Company Scheme, which links industry with universities.

Oxley Developments Company: UK, tel (0)1229 582621; fax (0)1229 585090.

Writing's on the wall for graffiti artists

A Scottish company has developed a water-soluble coating that protects buildings from damage by graffiti and pollution. Chemprep's war emulsion blocks pores in the stonework. It is washed off along with the graffiti using hot water. Chemprep Solutions: UK. tel (0)1786 472465; fax (0)1786 450557.

t may be hard to imagine the packaging around sandwiches as an enticing edible extra, but according to Polymer Films, a small private company in the US, it

is set to become eractly thet. In the last few weeks, Polymer Films has applied for patents on a film which handles like plastic, but is made from wheat. It disappears during cooking and it can be tinted, flavoured or fragranced. It may transform processed foods, drugs

In partnership with Enak, a Brit-ish company that converts film into ready to-use products, and Cam-bridge Consultants, also of the UK, Polymer Films is racing to develop innovative products from the film. Enak says it is close to unveiling three in conjunction with multinational food processing companies. In the meantime, a team of technologists and marketing consul-

tants is presenting the film to man-ufacturers with the delight of conjurers at a children's party. With the aid of a kettle of boiling

water, a cheese-flavoured packet containing dried potato cubes is converted into cheesy mashed potato. Hold a jelly up to the light and a butterfly image emerges. Microwave a pie in plastic and remove only the pie. Slice through a cheesecake and discover a crunchy base and a moist top, kept separate with a layer of film. Edibility is just the starting point.

There have been edible films before, most notably made from wood-pulp cellulose. But those older edible films cannot be used as a moisture barrier as they are also completely soluble. The new gluten film does not

break down as it comes into contact with moisture at normal temperatures, opening up opportunities with hundreds of processed foods, says Geoffrey Lawrence, managing

director of Enak. "Manufacturers will be able to put an end to soggy pastry by wrapping pie fillings in the film," he says. On cooking, the film will dis-solve because it is soluble at high

temperatures. It can be used to add flavours or fragrances to food, so that the film around a pastie gives off a cloud of "freshly-baked smalls" as it melts away in a microwave. Similarly, the film lid on a microwaveable dish can be used as a way of revitalising the food's flavouring, or to add a fresh taste - such as green pepper -as it melts into the food. "Effec-tively, it can be the twist of lemon on the top of the fish pie," says

Lawrence, By adding different types of edible plasticisers, such as glycerine, the film can be turned into a gel when cooked. In layered foods, the gel would stop layers mixing, or prevent moisture moving between them. While consumers would



ed toods, drugs and household goods Tinted, flevoured, tragranced: Polymer's versatile films may transform process

Wraps off a new packaging film

Jenny Luesby examines a versatile edible casing that is made from wheat and behaves like plastic

is made of poly-vinyl alcohol (PVA).

One idea from Cambridge Consul-

tants is a device that drops down

Other initiatives include a project

notice the division, the barrier itself should pass them by: within food the film can be used in layers four times thinner than a human hair. Meanwhile, as a packaging material, the film can be used on stan-

TECHNOLOGY

dard packaging equipment and heat-sealed around goods just as a petrochemical. plastics are. All these qualities surpass previ-

the plug hole of a kitchen aink, leaving a carousel of film strips hanging suspended from the plug-hole grid. The film is laced with ous edible film. But the film still dissolves as rapidly in hot water as its forerunners did in cold water, taking just over 20 seconds. disinfectant that dissolves a little at This makes it just as useful for pre-measured sachets of hard-toa time into everything that goes down the drain and curbs the

growth of bacteria around sink and handle ingredients, such as enzymes, it also presents opportunidrains. ties in drug delivary, says John Watson, president of Polymer Films, through drug pouches thet dissolve under the tongue, allowing at Queen Mary's College in London, being overseen by Enak, which is laser treating the gluten film so that it dissolves in some places but not others, to form lattices. At the the drugs to enter the bloodstream more effectively than through the stomach. "The film can also be used same time, Enak has started produas a casing for ordinary pills, or as cing stencils of film that can be dropped into translucent materials a soluble material for use in microsurgery and wound dressings," he to form shadowy images. says.

netic activity. It is expensive, and if such a novel material has also gensuch a novel material has also gen-erated some new applications for alder films too. The most common soluble film - best-known as the wrapping around toilet fresheners food processors are going to start using it, "we need to make sure it really enhances their food".

But the emphasis on the film's value beyond being biodegradable may also foreshadow another devel-opment. At MIT, researchers seem close to realising the elusive goal of a cheap and versatile biodegradable plastic of the non-edible variety.

The key is a combination of PVA and ethylene with starch, which has a higher molecular weight than the other two ingredients. As the ligh-ter materials move to the surface, they form a film around an inner body of starch.

By varying the ratio of ingredi-ents, MIT has produced plastics that range from the toughness of the world's most common plastic, polyethylene, to the water-solubility of PVA film. All are biodegradable if shredded. This may provide a cost-effective

solution for manufacturers seeking biodegradable packaging, But no ays. It is the cost of the film, says one will be proposing that we put The excitement at finding uses for Lawrence, that is driving this fre- this new plastic into our stomachs.

Grants in EU research

FINANCIAL TIMES THURSDAY APRIL 18 1996

The European Union Is making progress in defin-ing the research fields that should receive the highest priority for future funding. Eight task forces have just reported to the EU council of research ministers on the areas that are most important for industrial competitiveness, employment and quality of life. Some of these areas are in line to receive support from the addi-tional Ecn700m (2550m) which the commission wants to allocate to the Fourth Framework Programme for research and development over the next two years. The programme's budget was ariginally set at Ecul2.3bn was originally set at Ecn12.300 for the period 1994-98 and subse-quently increased to Ecu13.1bn following the accession of Aus-tria, Finland and Sweden. EU finance ministers have yet to approve the actra &&D spend-ing, and the German and Dutch

governments are reported to be particularly reinctant, with Europe possibly facing a large bill for dealing with the effects of mad cow disease. The council of ministers is expected to make up its mind by the end of June. However, even if there is little or no extra money this time, the task forces will still bave an impact on the shape of the Fifth Framework Programme from 1999.

The eight areas are: Car of tomorrow. Cheaper and more efficient batteries; fuel cells; hybrid alectric/petrol vehicles; reduction in exhaust pollution.

New generation aircraft.
 Intermodal transport. Better

compatibility between road, rail and air transport. • Educational software and

mpltimedia. Environmentally-friendly water technologies.
 Vaccines and viral illnesses.

Trains and railways.

 Maritime systems. Meanwhile, the Fourth Frame-

work programme is proceeding at full pace. The table below, updated every three months in the FT, is a guide for companies and universities interested in applying for research grants.

Clive Cookson



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E Advanced Communications Technologies & Services (ACTS)	no open calls		630	XON	ACTS Central Office +32-2-295,06.54 sco@costman.do13.cec.be
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X Industrial & Materials Technologies (BHITE-EURAM)	15.12.94/C357 15.12.95/C337	18.12.95-17.12.97 17.4.96 & 25.5.98	1617	UX	- Help line +32-2-295.80,48
Production technologies; material					· · · · · · · · · · · · · · · · · · ·
E Standards Measurements and Testing (SMT)	15.12.94/C357 15.5.95/C148 15.5.96	15.3.95-17.12.97 15.11.95-15.11.97 15.11.96	173	· XII	Mr Pleme Mériguet +32-2-295.80.72
Measurements for Quality Europe	en Products; standa	ds & technical support; meas	woments reli	sted to nee	ds of society.
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I Marine Science and Technology (MAST II)	15.12.94/C357 15.12.95/C337 15.3.96/C75	11.6.97 & 17.12.97 3.95-8.96 (training) 17.6.96,27.8.97,12,6.96	228	X	Mr Jeen Bolesonnes +32-2-298.30.24
Marine science; strategic marine	research; marine tech	nology.			
N Biotechnology	15.12.05/C337 15.6.96	3.96-7.98 (training)	552	Xti	Mr Alfredo Agullar +32-2-295.63.65
					biology; biodiversity; social acceptance.
II Blomedicine and Health	17.1.95/C12 15.3.96/C75	31.3.96-31.12.97 (fellowships) 17.6.96	335	XXI	Mr Alein Vervoesei +32-2-295.53.65
Pharmaceuticals; biomedical tech			me research;	public heal	
E Agriculture and Patienties (FAIR)	15.12.94/0357	12.5.96 & 11.6.97 (SMEs) 1995/7 (fellowships)	607	XM	Mr Xabler Goenaga
integrated production & processin	ng chaine; nutritious i	loods; agriculture, forestry & r	ural developr	nent; fieheri	es & aquacutture.
E Non-nuclear energy (JOULE-THERMIE)	15.12.94/C357 15.4.96 15.9.95	17.12.97 (demo) 1.97 (fellowshipe)	967	IC RVX	Mr Michel Poireau (R&D) +32-2-295.06.56 Mr Wiepke Folkertsma
Strategy; rational energy use; ren		I fuels; energy technology die	semination.		(Demonstration) +32-2-295.05.77
E Nuclear Basion	17.1.95/C12 15.12.95/C337	1.11.97 modifier previous call	160	201	Reclation protection +32-2-296.62.56 All other areas +32-2-285.49.91
knovative approachest reactor sa	ifety & severe accide	nts; radioactive waste manage	ment, dispo	al & decon	missioning; impact on man & environment.
# Transport	no open calls 15.12.96	15.3.97	240	Vii	Mr Wilhelmus Blank +32-2-296.83.56
Strategy; rail; integrated transport	chains; air; urban; a	/eter-bome; road.			
Economic Research (ISER)	No open calls 15.6.96		105	XII	Mr Stephen Parker +32-2-295.21.37
Evaluation of science & technolog	ly boacy options; ed	scation & training; social integ	ration & exc	usion.	
E International Cooperation (INCO) Central & Eastern Europe; other)	15.2.95/C38 15.3.95/C75 ndustrialised countrie	grants 3.95 - 3,95 12.9.96 s; developing countries.	540	זוג	Developing countries +32-2-296.62.52 Central/Eastern Europe +32-2-296.33.08
E Dissemination & application of results (INNOVATION)	15.9.95/C240 15.12.95/C357 15.8.96	15.12.96 15.3.96 - 16.9.96 16.9.98	293	XIII	Mr Robin Miège +352-4301.34544 Mr Jean-Nöel Durvy +352-4301.34129 Mr Marlo Bellardinelli +362-4301.34989
Technology validation; technology	transfer.				
Training & Mobility of Researchers (TMR)	15.3.95/075	17.6.96	744	XH	Mr Dreux de Nettancourt +32-2-295,89,95
Research networks; access to lan	ge-scale facilities; tra	king through research; confer	encas & sun	imer school	<u>la.</u>
The table above shows the statu programmes that distribute R&D the EU Fourth Framework Progra name of each programme (and a is on the left in bold (ype, with a	grants within in amme. The a scronvm. If anvi a	reposels" for the programme efference number of the journ reference number of the journ reference number alow whe re scheduled. Its "due date" column gives	al. Dates within the future	calls re	sers is given in millions of Ecu, followed by a number of the directorate-general sponsible for it, nelly, there is a contact name (where ratiable) and fax number in Brussela or

have different due de

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The next column gives the date(s) on which the

embourg. For further information look for tes for different activity DG XII's pages on the EC'a Europa web site :



virus and its lord and master. After a brief, puzzling detour to 1916 where he receives a first world war hullet in the leg. Willis returns to the 1990s to discover that Pitt is now at large; though whether staying at the mansion of his equally mad virologist father Christopher Plummer counts as care io the community is doubtful.

Then there is Madeleine Stowe, beauteous hut bewildered state psychiatrist. Then there is Willis's recurring boy-

he spotlight is on Welsh National Opera

this year. At the week-

end Radio 3 broadcast a 50th anniversary tribute

reminding us how many com-

INTERNATIONAL

ARTS

JUIDE

AMSTERDAM

Konuklijk Concertgebouworkest:

with conductor Riccardo Chailty, the

Asko Ensemble, soprano Sarah

Leonard and trumpeter Markus

Stockhausen perform works by

Duilupiccola: 8.15pm; Apr 20

Stockhauson, Varieso, Verbey and

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tic asylum, probably is the

chases when so littla is spent on making the characters human and engaging. "I want the future to he unknown, I want this to be the present ... " murmurs a moved Willis in one too hrief love duct, ushering in a whole new dimension of the heart and

mind. Then it is back to the crashes, bangs and eyeblowing visuals, with only some late clips from Vertigo to remind us what a true master can do with the gimmick-free handling of

the ironic confluence of a stolen camera and a vanishing subject

The man subjected to the title verb in Uncipped is New York fashion designer Isaac Mizrahi. Ha is "unzipped" hy Douglas Keeve's hilariously prying doc-umentary, all tart revelation and tilted angles. And he is "unzipped" in his own baroquely camp personality. Mizrahi looks like a frizz-topped Sergei Elsenstein (another noted gay image-

Opera/Richard Fairman

Welsh 'Faust'

at Mizrahi's quips and film quotations that we learn nothing at all about the art of clothes designing. The film climaxes in a swirl

of flashbulbed catwalk action, as Cindy, Naomi and the rest show off Isaac's latest collection, inspired hy Nanook Of The North. But we hardly know if it is failure or triumph that a man's career has been so gleefully followed, for so brisk a 74 minutes, without our having the faintest idea why he does it.

singing was often beautiful and at a couple of moments quite divine. A pity that she struggled a bit over the final

trio. Paul Charles Clarke as

Faust is not a natural French

teenager, and Liam Neeson, his evidence-destroying dad, to loosen up. In its Nanook-like corner of the American north this family is stressed to fracture point by a cause célèbre trial and by large wedges of TV-movie dialogue

Director Barbet Schroeder has shown his own couturier talent for turning hand-me-down thriller plots into crisp ensembles (Reversal Of Fortune, Single White Female). But Ted Tally's script from Rosellen Brown's novel -

Worst sight of all is our own Alfred Molina as the hoy's defence lawyer, a cherishably sad-sack British actor forced to snari, hark and thumh his braces like Fredric March on leave from Inherit The Wind. Sudden Death is also silly.

but enjoyable. Jean-Claude Van Damme commandos his way through a giant ice hockey stadium where villains have kidnapped the American vice-president. Fisticuffs on roofs; much swinging from the light-rigging; an exploding heli-

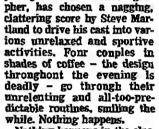
sonable \$1.7bn. Sad valedictions to director

Tomas Gutierrez Alea and actor Ben Johnson, who both died this week. Alea brought wit and subversion to Cuban cinema in films like The Last

Concert/Stephen Pettitt Sawallisch and the LPO

No olfgang Sawal-lisch and the Lon-don Philharmonic the depressed resignation that tone and pitch; the double performances of late, but with sonorous foundation; and the pelling performances the comstylist, but works hard to inject the right sensitivity, including a poetic top C at the pany has presented in its first mentality. Mackernas also had - with living in a society racked half-century and then went on the WNO chorus, on top form with war and alcoholism. sonorous foundation; and the Dutch choreography has anythis season, singing for him where the idea of a fun party climax of his aria. Alastair Orcbestra are higher strings achieved a to a relay of one of the very a concentration and a pride in thing to offer us except angst best friends. Or so it appeared best - the recent production of its own abilities that was with a vitality that belied its involves the guests parading Miles's Mephistopheles scores sophisticated sound rarely Car and Pag, which sounded role here as members of the up and down with hlack balas the one who really makes at the Royal Festival Hall on heartwarming. In fact, instilling that sense heard outside Austro-German Victorian moral majority, dressed in funereal black with Tuesday for the second of the even more electric than it had loops. The local people are real the English translation tell, territories. getting the text to lash out killioys, who have watched two concerts be conducted in the theatre. of pride which comes naturally Orchestra and conductor had Marguerite's fall from grace Then, on Tuesdsy, came the each glowering over his or her with devilish sarcasm. Physiwith the beleaguered hand. to German musicians blessed been just as effective in Brahms's Double Concerto, a cally, too, he gives s splendid new Faust, which should also a blood-red copy of the Faustwith contempt and clearly when he insisted that the playwith state and city hacking performance, which marks a that recognises the value of ian pact. approve when she is executed ers remained standing to make a fairly impressive radio first-movement oriented piece That, of course, will be the new step forwards in his receive their share of applause in the Classical mould: herolc broadcast, in its turn. Charles their labours, was the key to AFP at the end. Mackerras, WNO'a former advantage of hearing the per-Then again, I may have it all while he stayed modestly offsthe finesse of Sawallisch's to a degree hut, thanks to its career. formance on the radio. No They make a strong central tage. It was a generous and a musical director, was back in wrong. But at least the andiinterpretations of Brahms and relatively light-hearted finale ence can respond to a lively trio and get good support from Jason Howard, who sings pointed gesture, serving to attention will have to be and its outwardly simple (and Beethoven. He is known as a the pit and getting the kind of show, which has a sense of here extraordinarily touching) diverted to working out what encourage us to send the letter safe pair of hands who concenperformance where everybody the production means. The humour and its fair share of supplied with every prosounds sure of what they are Valentin's two big numbers trates on safe repertoire. But slow movement, uniquely perdoing. It was a shame that he Germans have never forgiven dramatic excitement, even if vibrantly, and Susan Gorton's gramme urging the National he is more of a conductor than sonable comparad with that, and he produced a beauti-Gounod for taking the intellec: the ideas do not always add up. characterful Martha. Joanne Heritage Secretary Virginis Brahms's other concertos. The devided against using the spo-11 if tual stuffing out of Goethe's Faust and persist in calling the Bottomley to make proper funding of London's orchestras fully tinted performance of Beethoven's "Pastoral" Symken dialogue which helps to Bruno Schwengl's design is a Edworthy is an edgy Siebel. soloists, the violinist Frank plain semi-circular arena (cirwho is hampered hy having to speed the opera along, hut there was no slacking in the Peter Zimmermann and the opera Marguerile to this day. s priority in the run-up to the phony. It was exquisitely balcellist Heinrich Schiff, made a cus-ring or stage?) and the go courting not with a lovers' props are limited to the bare anced, characterfully phrased, Christopher Alden's producposy, but a massive flowering next general election. fine team, exalting in rampagnusical numbers: this Faust ing drama, poignant song, and carefree dance alike. Neither is tion for WNO might be their necessities - a goblet, a jewel hush. That is the trouble with Send your letters, for after and polished only to the extent was riding to the abyss at a that detail was highlighted revenge. It has put the stuffing casket, a ladder up to heaven the root-and-branch style of such a concert one can hargallop. The introduction to the opera production. A few twigs bour no doubts that the LPO, rather than erased. And the the kind of player who likes to back until the opera is fit to and a trap-door down to hell. in fighting spirit after the arrival of Serge Dornay as its Marguerite is poised over the of inspiration would be nice. apply a smoothing iron to the players showed an impressive cigarette ends. Jewel song went at such a hurst latter with her head in a noose What you get is the whole darn confidence at those crucial music's surface. And for all his If I have it right, Alden sees sparkling pace that Marguerite new artistic advisor, thor-oughly deserves to be given hank-managerial appearance. Sawallisch was in full accord had to he quick to get her tongue around the words. That Mephistopheles as a tormented at the end, which suggests she moments when even the most tree. is destined to go in the oppoexpert players can take a tumman who wants to force a the kind of funding that will with their sometimes swashsite direction to usual. It is Further performances at the hle. Horn solos were beauti-Is the sort of brilliance that share of his misery on some allow it to thrive. The band hardly an appropriate thank-New Theatre, Cardiff on April fully placed; the woodwinds alter ego. The contract gets buckling, always infectious Gounod's music needs, if it is signed because Faust is fed up you to Janice Watson, whose 16, 18 and 26; then on tour. played for Sawallisch not with were marvellously secure in ways. not to lapse into cosy senti-

boring for us. 1 don't care what the men do - so long as Supper and Strauberry And they don't frighten the horses but they ought not to do it in front of strangers, Worse follows. Kevin O'Day, Chocolate. Slow-spoken Johnson graduated from John Ford cowboy to the drawling Oscarwinner of The Last Picture young American choreogra-Show. Two likable talents, who can surely be mourned in common by both Havana and Hol-



dénouement for homo-crotic

romps - end up in an embrace.

Bully for them, and damned

Nothing happens in the closing Black Cake by Hans van Manen to persuade me that

and low-level jokiness. Six couples in variously un-chic hlack ontfits (the men in see-through tronsers, which is not a fashion I commend to the sartorially careful) are trapped in gems from Tchaikovsky, Massenet, Mascagni, Janáček, Stravinsky. (All of whom, 1 assnme, have offended Mr van Manen, who here takes his revenge). There are ducts - one amnsing and, to the Thais meditation the cast get drunk on two halfglasses of champagne. The piece was meant as a caprice for the 30th birthday of Nederlands Dans Theater, and should have remained on the floor after the party with the relics of the canapés and the

Clement Crisp

Les Grands Ballets Canadiens are at Sadler's Wells Theatre until Saturday.

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Jarvi perform Sibelius' Pohjola's Daughter, Symphony No.6 in O minor and Symphony No.2 in O:

8pm; Apr 20 CAMBRIDGE (US)

EXHIBITION Arthur M. Sackler Museum Tel: 1-617-495-9400

The Fire of Hephaistos: Large Classical Bronzes from North American collections: this exhibition comprised of full figures and body parts concentrates upon large-scala Classical bronze statues. Executed in what is known to have been the most preferred medium for sculptors and patrons during the classical period, very few of these choice

statues survive today. The display includes 52 large Greek and Roman bronzes and focuses both upon the links between ancient styles and techniques, and the new research methods that scholars are using today to study this ancient industry;

OPERA Komische Oper Tel: 49-30-202600 Lo Boheme: by Puccini. Conducted by Shao-Chia Lu and "Intermed by the Kemische Oper. Scioists include Rossmanith. George, Mowes and Schmeckenbechni: 7.30pm: Apr 20

BIRMINGHAM

CONCERT Symphony Hall fist 24-121-2123333

Generaburg Symptomy Telectric with conductor Neemo

OPERA Opernhaus Tel: 49-221-22182-10

Madama Butterfly: by Puccini. Conducted by Rico Saccani and performed by the Oper Köln. Soloists Include Marina Spacanga, Regina Mauel, Olafur Bjarnason and Laura Cabina; 7.30pm; Apr 19

COPENHAGEN

DANCE **Det Kongelige Texter** Tel: 45-33 14 10 02

· Onegin: a choreography by John Cranko to music by Tchalkovsky. performed by the Danish Royal Bailet. Soloists Include Heidi Ryom. Martin James, Henriette Muus and Mads Blangstrup; 8pm; Apr 20

HAMBURG

CONCERT Musikhalle Hamburg Tel: 49-40-346920

 Hamburger Mozart-Orchester: with conductor Robert Stehli and hom-player Hermann Baumann perform works by Schubert, Mozart, R. Strauss and Beethoven; 8pm; Apr

LONDON

CONCERT Barbican Hall Tel: 44-171-6388891 Moscow Soloists; with conductor/viola-player Yuri Bashmet perform works by Britten, Dvorák, Stravinsky and Prokofiev: 7.30pm;

Royal Festival Hall

Tel: 44-171-9604242 The London Philharmonic: with conductor George Pehlivanian, cellist Ofra Harnoy and organist lames O'Donnell perform works by Glinka. Elgar and Saint-Saens; 7.30pm; Apr 19 St. John's, Smith Square Tel: 44-171-2221061 The BBC Singers: with conductor Stephen Cleobury, violinist Louise Fuller and organist David Goode perform works by Comelius. Karg-Elen, Dupre and Martin; 7.30pm; Apr 19 EXHIBITION British Museum Tel: 44-171-6361555

 Recent Acquisitions of Prints and Drawings 1991-1995: this display shows some of the gifts and purchases that have been added to the collection over the past fiva years. Highlights of the exhibition include a double-sided sheet by Marco Zoppo, made in Padua in the 1450's; to Apr 21 OPERA Royal Opera House - Covent

Garden Tel: 44-171-2129234 Nabucco: by Verdi, Conducted by Wladimir Jurowski and performed by The Royal Opera. Soloists include Nina Rautio, Leah-Marian Jones, Jennifer Rhys-Davies and Dennis O'Neill; 7.30pm; Apr 19, 22, 25

LYON

OPERA Opéra de Lyon Tel: 33-72 00 45 00 Cosi fan Tutte: by Mozart. Conducted by Laurent Pillot and performed by the Opera de Lyon. Soloists include Rossella Ragatsu, Pomone Epoméo and Stephania Morales; 8pm; Apr 19, 21 (5pm)

MADRID

CONCERT Auditorio Nacional de Música Tel: 34-1-3370100 Orcuesta Nacional de España: with conductor Walter Weller and clarinettist Enrique Perez Piquer perform works by Shostakovich, Baulista and Beethoven; 7.30pm; Apr 19, 20, 21 (11.30am)

NEW YORK

Tel: 1-212-879-5500 Guarneri String Quartet: with soprano Benita Valente perform works by Mozart, Harbison and R. Schumann; 8pm; Apr 20 OPERA Metropolitan Opera House Tel: 1-212-362-6000 Die Walküre: by Wagner. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Gabriele Schnaut, Deborah Voigt, Plácido Domingo and Robert Hale; 0.30pm; Apr 23 (6.30pm), 25

EXHIBITION

Het Paleis Tel: 31-70-3381120 · Frantisek Kupka: exhibition of works by the Czech painter Frantisek Kupka (1871-1957). The display includes more than 50 paintings from the Musée Nationale d'Art Moderne in Paris and the Narodni Galeria in Prague. Also on display are preliminary sketches for book illustrations; from Apr 20 to Jun 16

VIENNA

CONCERT Konzerthaus Tel: 43-1-7121211 L'amore dei tre re: by Montemezzi. Concert performance by the ORF-Symphonieorchester with conductor Pinchas Steinberg. Soloists Include Denia Mazzola Gavazzeni and Ferruccio Furlanetto; 7.30pm: Apr 19

■ WASHINGTON CONCERT Lisner Auditorium Tel: 1-202-994-6800 Samson et Dalila: by Saint-Saens. Concert performance by the Washington Concert Opera, featuring mezzo-soprano Denyce Graves; 7.30pm; Apr 19, 21 (6pm)

ZURICH OPERA

Opernhaus Zürich Tel: 41-1-268 6666 Il Trittico: by Puccini, Conducted by Marcello Viotti and performed by the Oper Zürich. Soloists include Mara Zampieri, Giorgio Zancanaro and Boiko Zvetanov; 7.30pm; Apr 19

17.30 Financial Times Business Tonight CNBC: 09.00 Squawk Box

10.00 European Money Wheel

18.00 Financial Times Business Tonight

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CONCERT The Metropolitan Museum of Art

and Carissimi's Jephté; 8.30pm; Apr Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Vogler Quartet: and planist Michel Dalberto perform works by Haydn and R. Schumann; 11am; Apr 21 ROME

PARIS

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Tel: 33-1 42 34 56 10

Choir of the Maitrise de

Sébastien Guillot perform

Notre-Dame de Paris: with director

Charpentier'a Le sacrifice d'Abraham

CONCERT

CONCERT Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Members of the Accademia di Santa Cecilia: with conductor George Benjamin perform works by

Benjamin; 8.45pm; Apr 19

THE HAGUE

Varese, Petrassi, Falla, Webern and

and the second second

BERLIN COLOGNE

Apr 20 from Apr 20 to Aug 11

COMMENT & ANALYSIS



· 12

Land-rush in cyberspace

The phenomenal success of the Yahoo! flotation reflects the desire of investors to gain a stake in the last great real-estate boom of the century

Definitive proof of the scale of the Internet craze comes in the \$1.1bn market capitalisation briefly accorded last Friday to Yahoo!, an electronic catalogue of the World Wide Web.

So egregious is the overvaluation - Yahoo!'s midday market capitalisation yesterday was \$681m - thet it is hard to convey in the FT's sober prose. This is a company with total revenues of around \$3m since its launch in March 1995. giving it a price/revenue mul-tiple of 340. There is no price/ earnings ratio: Yahoo! has achieved an operating profit (\$62,000) in only one of its four quarters. It is run by Jerry Yang and David Filo, who until two years ago were graduate students at Stanford University; they have no previous business experience.

It is not surprising that there is a flourishing Internet discussion (in the alt.investments.misc newsgroup) headed "Yahoo!: how to short", in wbicb eager participants examine the best ways to sell the stock sbort and profit from its expected precipitous decline in price.

The performance of Yahoo's shares is partly a reflection of the extremely limited stock available to the public - only 10 per cent of total shares outstanding. It is also a legacy of the Netscape offering last summer. Those who felt that stock was overpriced at its ini-tial public offering level of \$28 In August were confounded when it rose above \$160 by early December and then after a two-for-one stock split - settled at \$54, a 289 per cent premium on its flotation price, Those who scoffed then look foolish: those who sborted the stock lost their shirts.

Yet there is a fundamental difference between the two companies, wblch both explains Yahoo!'s more spectacular performance, and makes it still more implausible. Netscape makes software to allow computer-users to browse the World Wide Web or provide information across it. When you buy stock in

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Netscape, you are doing so in the balief that it will be on Yahco! reflects more than just those sober numbers. It is, another Microsoft. Netscape is in effect, a bet on the newest distinguished from other softcategory of asset: cyberspace ware companies merely by the scale of its ambitions and the real-estate. As in all great land rushes, it is driven by the speed and aggressiveness with belief that they just aren't which it is pursuing them. making lakefront property any Yahoo! is an entirely differ-

Peter Martin

шоге. ent proposition. It is itself a The trouble is that they are site on the Web, which acts as making more cyberspace prop-erty: it is infinitely extensible. a guide to all the rest. To use it, you browse through a hier-Already, there are many alterarchical menu of subjects. native ways of searching the starting with 14 top-level cateweb, some with superior techgories such as Economics and nology, others with a wider Business, and going down reach. Digital's Alta Vista site, through levels that lead you through some of the 16,000 for example, indexes 6bn words on the Internet, includever more precise sub-catego ing not just web sites but also ries, until eventually you find the web site you seek. Alternalong defunct discussion groups; it does so using its lstest, extremely powerful, Alpha tively, you can type in the word you are looking for, and Yahoo! will search the whole computers. Part of Yahoo!'s sppeal lies

of its catalogue, or any of its in the belief, however, that it specific categories, to find sites that contain that topic. has a significant first-mover advantage. Its supporters argue thet, as the first widely accessible search engine, it The company gets its revennes mostly from selling advertising on its pages. It can thus be compared with a billhas built up a unique brand-name and momentum, attractboard company - which ing a million visits a day in makes the valuation even February this year.

On this view, the ever-expanding scale of cyberspace, more extreme. The total US market for billboard advertising in 1994 was less than \$1bn far from threatening Yahoo!, makes it increasingly valuthe total revenue of all World able. To make sense of the Wide Web advertising this year is estimated at \$300m. electronic universe, you need But of course, the value put a reliable guide. Yahco! is not

only the best-known of such guides, it has also built up a distinctive structure to its index, which it rather pretentionsly calls its "ontology". This classification scheme.

some argue, will prove a longlasting asset, protected by the intellectual property laws or at least by the effort required to duplicate it. Perhaps. But It is hard to see the Dewey Decimal Classification - another "branded navigational gatewey", to use the language of Yahoo!'s prospectus - attracting a \$700m capitalisation.

The branding issue is a more serious one. Yahoo! has undoubtedly created a valuable brand from scratch, one which is already being extended to other areas - a book, a magazine, overseas licensees and so on.

Yet brands are more than well-known names, otherwise such brands as Vimto or Studabaker, once nationally famous, would not hava dwindled into comparative or complete commercial irrelevance. They reflect also the core benefits that the product provides, and tha way in which those benefits are delivered to the consumer. It is in this area of benefits that Yahoo! is most vulnerable from aggressive competitors who offer superior editorial selection, wider reach, better technology, a

more specialised focus or a suparior index structure. Threats of all these sorts are in evidence; and their imminent arrival will only be hastened by the price-tag Yahoo! has achieved. Perhaps the most telling comparison is with another Internet-related deal of the last few days: the sale of RSA Data Security for roughly \$200m in stock to a company called Security Dynamics. RSA was founded over 10 years ago to exploit the computer security systems devised by three academics, Professors Rivest, Shamir and Adelman,

scarcely remember the speculation on which their commu-They had invented a practical way of using a new form of nity was built. So it will be in cryptography on which mnch of the Web's future and planned security is based. Nachoma.

RSA's work allows customers to send their credit card numbers across the web in safety; and it permits messages and transactions to be properly authenticated. RSA has strong patents and

many years of building up valuable expertise in applying them. ft has revenues in the first quarter of 1996 of \$12m and net income of \$2.5m. It is also by far the best-known brand in its field. Yet it has gone for a fraction of the value attributed to Yahoo!. The difference in these two values surely lies in the different nature of the brand, and the infinitely malleable nature of human expectations. Yahoo! is an end-user brand that offers a stake in the everexpanding acres of cyberspace.

Its value is as great or as small as you wish in make it. RSA, by contrast, has a known history and a predictable future; and it sells its products to othar businesses rather than to end-users. When it comes to the crunch, a consumer franchise always seems more valuable than a technological or business one: and an unknowable futura more seductive than a quantifiable The last of the century's

great real-estate bcoms is under way in cyberspace. Some people will get extremely rich in the process; as in all such booms, they may not always be the most deserving cases. Others will see their hopes, hard work and savings rendered valueless by the vagaries of taste and location, in such booms, however, one thing is certain: after the ups and downs, the triumphs and the bankruptcies, the property gets developed and the frontier days are left behind. The residents of Florida retirement communities or the Scottish financial grandees who inhabit Edinburgh's 18th century New Town -

cyberspace. Additional research by Ripka a risk as inflation Since the early 1990s predic tions of inflation in almost every western

country have usually turned out in be too high while predictions of output have been too low. Consider the following associated facts:

 Against almost all expectations, UK inflation continued to fall after departure from tha European exchange rate mech-anism in September 1992. So, more remarkably, did inflation in Italy, which experienced a bigger currency depreciation.
 The growth of earnings decelerated in the UK in 1995 even though unemployment fell substantially over the year. Indeed, UK pay rates rose by a good two percentage points less than soma mainstream forecasting models suggested

rose by only 3 per cent in 1995 in spite of an average unemployment rate of just over 5 per cent - well below the rate at which most macroeconomists

society share issues. ● So far - and keep your fin-gers crossed - there have been no adverse inflationary conse-

growth above the suggested monitoring ranges. The one safe conclusion is that the economic climate has been more deflationary than national authorities either expected or intended. More tentatively, such facts suggest the parameters of economic relationships have changed.

It is still true that rapid nominal demand growth leads to inflation and that a high and prolonged growth in monetary assets will stimulate such growth. But the size of the links is now different. It takes a bigger expansion in the stock of money (however

defined) to set off inflation. A non-inflationary policy for sustainable growth is now consistent in several countries with a lower rate of unemploy ment than many model-makers had estimated. Becansa demand is so depressed in many countries the transmission mechanism from the

FINANCIAL TIMES THURSDAY APRIL 18 1996

exchange rate to domestic inflation is weaker than it appeared earlier. Roger Bootle, tha City economist, uses developments such as the above not only to say that inflation has gone away but also to maka a gauche attsck on tha monetary approach to the subject. However, whila we desperately need more popular expositions of economics, what he has given us is not popular bnt mulist.

BOOK REVIEW Samuel Brittan

THE DEATH OF INFLATION: By Roger Bootle Nicholas Brealey, £16.99 244pp

Deflation just as big

Inflation refers to the behaviour of the general price level. To explain it as a real phenom-enon in terms of what happens to specific prices, as Bootla often tries to do, is a howler. Is it not obvious that a large rise in the price of an important commodity such as oil or high wage settlements in key indus-tries will set off an inflationary spiral? No it is not. In some circumstances other prices will fall by way of compensation. In others there will be a once for all rise in the price level and no compensating adjustments. The next steps depend crucially on the reactions of tha monetary system. A permissive monetary policy is indeed likely to set off the feared spiral, while a rigidly non-accommodating one would stop any rise in inflation, but at a considerable short-term cost to

output and employment. Bootle resurrects the old canard of the 1960s that inflation was due to a struggle between different groups - for example, between public and private sector workers. But such a struggle can have many different results, of which inflation is only ona possibillty. in 17th century England it led to a civil war, while in continental Europe now it is leading in unemployment.

Bootle wants to go yet further. He asserts that we are seeing "the death of perpetual inflation and the beginning of the zero era". in truth we just do not have the knowledge to predict historical trends and are never likely to have it.

The author is right to dis-cuss influences such as competition from Asian countries or the greater rivalry in domestic markets - both of which have forced businesses to be much more cautious in passing on cost increases in higher prices. Prof Patrick Minford, who is a dissident member of the chancellor's Independent Forecast ing Panel, is also right to push emphasis on the Thatcher measures to weaken union power.

These things are primarily relevant to the supply performance of the economy. But they do make a difference to the ease with which governments and central banks can pursue anti-inflation policies. The unemployment costs of such policies are less and the resistance in them is weaker. Bootle is in a dilemma here. For headline purposes he wants to attack central banks for maintaining teo high a level of nominal interest rates, because they result in unneces sary depression of ontput and employment. Yet the small print of his argument requires that economic agents should adjust pay and prices much more quickly in response to deflationary policies. in that case falling prices - or at least measured inflation rates well below official targets - would soon show policymakers they have gone too far.. My own view is that wages

and prices are not yet so flexible and that official reactions to errors not so quick that we can rely on such an automatic feedback. This is wby 1 prefer - along now even with some Bank of England economists a nominal demand objective which pays attention to output as well as prices. It would be sad if the theoretical weak nesses of this book were to blind readers to the validity of Bootle's ad hoc observations.



LETTERS TO THE EDITOR. Number One Southwark Bridge, London SEI 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44.171-873 5938 (please set fak!"

they would rise. • Average earnings in the US

expected pay and price growth to accelerate. There is so far little sign. that UK consumers ara inclined to engage in a spend-ing binge on the basis of bonanzas, snch as building

quences from UK monetary

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e). emair ieners.eonoien.com. inans station may be available for teners written in the man

Britain treading path to a sorry mess on Emu

From Sir Roy Denman. Sir, Your leader "The ins, the outs and Emu" (April 11) and your reporting of the meeting of EU finance ministers at Verona ("Victory for all", April 15) do not seem to have grasped the hole the UK is in on economic and monetary union When, in little more than 18 months, an inner group decides to move to Emu, they will naturally look to protect

the single market from

distortions caused by currency swings against a fixed exchange-rate bloc. So they will insist on other EU the rest of the EU. members (the outs) giving some guarantee of exchange rate stability. Most will agree. But I fear thet the British government, under pressure from Conservative Europhobes, will jeopardise the attainment of refuse. If speculators then the objectives of this treaty") force a depreciation of sterling (an unattached currency that, coupled with the Maastricht treaty commitment to the in 40 years, has lost 80 per cent establishment of an Emu.

of its value against the D-Mark With a plunging pound, a big might seem a tempting target) the ins may well impose a trade row with our EU partners and (as the chancellor surcharge on British exports to has warned) investment from overseas going elsewhere, we should be in a sorry mess. If the British cry that this is illegal, the ins could invoke It is high time for us to Article 3 of the Treaty of Rome decide either to continue in (member states "shall abstain good faith on the conveyor belt from any measure which could to some form of federal union. or to get off. Roy Denman

194B Avenne de Tervuren. 1150 Brussels, Belgium

Daimler may Ideas that will pass the market test

be without raison d'être From Mr Vic Heylen. Sir, Wolfgang Münchau was right to raise tha question whether Daimler-Benz still needs two managements for Daimler and Mercedes-Benz. ("Daimler runs into diversion on the road to reform". April 11). Before the ers of the former chairman. Mr Edzard Reuter, cars and trucks generated practically all of Daimler-Benz's revenue. With the prospects of a huge integrated technology concern in the making, possibly in co-operation with Mitsubishi, a new organisation was needed. Daimler-Benz became the name of the new group, with the Mercedes-Benz vehicle subsidiary as one of many divisions. Considering the frantic pace at which the haemorrhaging technology concern is now being sold off, together with the ambition of Helmut Werner, president, to increase turnover to DM100bn by 2000, the vehicle division will by then most likely

From Mr Will Hutton. Sir, Martin Wolf lazily and uncharacteristically sets up a straw man to knock down in his alleged re-reading of my book The State We're In ("No answer in Germany", April 16). I neither deplore all things British nor stand in awe of all things German as he wants me to believe. I argue that successful italism is rooted in combining apparently contradictory impulses -market flexibility with relationships of trust and co-operation; the heart of my

definition of stakeholding.

From T.P.E. Machin.

misuse of funds.

Particular countries can only

Sir, The prospective launch

of a S4m advertising campaign

by the Department of Trade

and Industry to promote

The British Printing

("Business Links' activities

deleterious effects on its own

provided by DTI to Business

Links. The government's desire

criticised", March 15) the

operation of the subsidies

for greater provision of

services in local small and

not be at the expense of a

association suppliers. The

well-established and

medium business enterprises

while well-intentioned, should

professional network of trade

Industries Federation

identified last month

Business Links is, at best,

ill-considered and, at worst, a

High price for publicity

build the institutions to represent this philosophy from where they begin; they cannot pick and choose those parts of foreign models that appear to work well and transplant them to Britain wholesale - a point the book stressed long before David Soskice, whom Wolf quotes approvingly, made the same argument in Prospect. However, I do believe thet Britain would benefit from financial structures that fostered more committed ownership, long-term debt and decentralised decision-making - but they can only be constructed from where we are and not introduced as

"German" implants.

BPIF supports the concept of Business Links but is

concerned that a proposal made to the DTI in November

to enter a partnership to assist

the government in its Business

Richard Page, the DTI minister

quoted in your report, we shall

Links objective appears to

have been dismissed. At a

meeting next week with Mr

attempt to emphasise that

already exist to support the

sixth largest manufacturing

is wasteful to spend

T.P.E. Machin.

director general

a fledgling alternative.

BPIF, 11 Bedford Row.

London WC1R 4DX, UK

aims of Business Links in the

industry in the country, and it

considerable sums publicising

trade association services

Moreover, this advocacy springs not from the imagined low esteem in which Wolf believes I hold my country but because f love it - and despair for the prospects of millions of my fellow citizens as matters stand.

Wolf, protesting otherwise, needs to explain why those who buy the book in such numbers find it chimes with their own experience. Its ideas seem to be passing the market test; would his?

Will Hutton.

editor. The Observer. 119 Farringdon Boad, London EC1R 3ER, UK

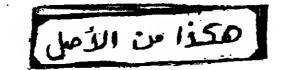
A question for the chancellor

From Mr Humphrey Crum

Sir, An obvious benefit from the combination of (1) British membership of the European Union with (2) a weak pound outside a strong European currency is aurely that It will attract foreign investment in search of low cost production facilities within Europe.

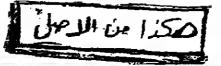
Why, then, does the chancellor of the exchequer claim the opposite ("Clarke warns of investment loss if Emu rejected", March 29)? A preference for a priori beliefs over logical analysis?

Hamphrey Cram Ewing. 63 Baker Street, Reading, Berkshire, RG1 7XY, UK



again generate up to 90 per cent of the group's total revenue - leaving Daimler-Benz – Mr Jürgen Schrempp, the chairman included - without a plausible raison d'ètre. LIFFE

Vic Hevlen. Analyse Anto Mechelse Stw. 12 2000 Antwerp, Beigium





COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday April 18 1996

A voice for stringency

The most important function of the International Monetary Fund is to be Jiminy Cricket to the governmental Pinocchios. Unfortunately, the noses of finance ministers grow no longer, whatever whoppers they tell. But this makes the IMF's Jiminy Cricket role more important. It does not need to be original. It must speak for the eternal verities of sound policy instead

hengen pact

On at least two points, the latest World Economic Outlook has such things to tell governments. First, it lays stress not on conditions that may be filled in a particular year prior to the start of European economic and monetary union, but on what happens thereafter.

Without labour market flexibility, for example, the operation of the monetary union will come under substantial pressure when-ever economic conditions diverge significantly among its members. That is why such flexibility is essential. In addition, as the WEO argues, "the success of the monetary union may well hinge on the ability of governments to make binding commitments to appropriate mechanisms for fiscal discipline beyond the test year of 1997." More precisely, Enni's success will hinge on combining long-

िन्दर्स

<u>،</u> ۱

His fears

run fiscal restraint with short-term flexibility. These warnings are important because Emu's snccess will

depend on how it works rather than on how it starts. The same long-run perspective is embodied in the IMF's secood warning, this time about the build-up of public bave listened to Jiminy Cricket.

debt in industrial countriea. According to the OECD, the ratio of net public debt to gross domestic product in the US rose from 23 per cent in 1960 to 52 per cent in 1985. Bad as this is, the increase was still greater in Europe, where the ratio rose from 21 per cent to 55 per cent, Strik-ingly, the French debt burden went from minus 3 per cent in 1960 to 35 per cent in 1995 and the German from 12 per cent to 49 per

cent. France and Germany also have unfunded pension liabilities in excess of their national incomes

The only certainty about such debt accumulations is that they cannot go on forever. This is the justification for the Maastricht treaty's requirement that the deficits of general government not exceed 3 per cent of GDP. If that were achieved, European public debt burdens would also be stabilised roughly at present levels. In fact, however, the combined fiscal deficits of the European industrial countries have exceeded 3 per cent of GDP in every year, bar one, since 1980.

Because indebtedness is grow ing so slowly, it is easy to ignore. Yet because of this very slowness, It is possible to make policy changes – such as higher retire-ment ages – that would come into effect fairly imperceptibly. The trick is to start oo the path of virtue now and so avoid going over a cliff later on. That is why

Short circuits

The announcement that Southern Company, the US electricity company, is considering offering to merge with National Power foels the controversy raging over the regulation of Britain's utilities. The fact that Southern is Ameri-Tan makes besilines because it raises the possibility that control of Britain's biggest generator might pass into foreign hands.

But this consideration is irrelevant. The real issue is that Southern already owns South

PowerGen for Soutbern Electric and Midlands Electricity, respec-tively. Unfortunately, if leaked reports are correct, the Monopolies and Mergers Commission has recently recommended to Mr Ian Lang, the trade and industry sec-retary, that these takeovers should be allowed,

offers from National Power and

It is suggested that the reason the governmeot might permit these mergers is to help create national champions, to do battle in international markets. But con

The long wait for political power

José María Aznar is being made to sweat as he tries to form a Spanish government, but investors are calm, says **David White**

ormal Spanish politics will be resumed as soon as possible. More than six weeks after the general election there is still no government in Madrid. Mr José María Aznar, officially named prime minister designate last Friday, la still negotiating to reinforce his centre-right Popular party's inadequate lead in parlia-

He has reached the stage of being asked to form a government - with-out yet being able to - and hopes to win the support of parliament in the required inaugural vote around the end of the month. The bargain-ing between the Popular party and Catalan nationalists, whose support Mr Aznar caunat do without bas Mr Aznar cannot do without, has come to a bead.

If no deal emerges soon, his insis-tence that "nothing abnormal" is happening will start sounding hollow. An interregnum of several eks between one government and the next is routine under Spain's constitution, but in almost 20 years of democracy the entr'acte has never been so prolonged.

On the other hand, a remarkable change has taken place in the political climate. "The sweetness of being without a government can be addic-tive," remarked a commentator in the daily El País.

in place of the bitter recriminations that marked the election campaign, all is now courtesies. Mr Jordi Pujol, the Catalan leader, complained last year that Spanish politics were veering towards "cannibalism". But now he is the object of assiduous attentions. Mr Aznar, an archetypically austere Castillan whose party has strongly criticised Catalonia's language promotion pol-icies, declared that be really considered Catalan to be a "perfect" language form, and that be himself read, understood and even - in private - sometimes spoke it.

Nobody rocks the boat. Mr Felipe González, the departing Socialist prime minister, who at one point of the election campaign used the Spanish civil war slogan "They shall not pass!", now politely encourages Mr Aznar to go abead and govern. The corruption allegations against his government have suddenly subsided

It is an eerie lull after a storm.

wrong ever to think of not standing for re-election. The veteran Mr Pujol, while firmly in control of Catalonia's regional government, saw his party soundly beaten on its home ground by the local Socialists; but now he is calling the shots in Madrid.

The uncomfortable position is Mr Aznar's. Even with backing from Canary Island deputies, his party needs another 16 seats for a major-ity - just the number Mr Pujol'a Convargència i Unió party has. Everything points to Convergencia - and probably the Basque Nation-alist party too, with five seats coming to an agreement with Mr Aznar. But they want to make him sweat and grovel first. Neither could afford to rush with

indecent haste into the Popular par-ty's arms. Until recently, they were both lending support for a minority Socialist administration. Their grass-roots members show strong antipathy towards the Popular party, widely associating it with the anti-Catalan and anti-Basque attitudes of the Franco regime.

Mr Pujol can bring about fresh general elections if be turns the Popular party down, and says he is willing to do so if necessary. But this is pure brinkmanship. Nobody wants another election; forcing one would risk incurring voters' disap-proval, as well as jeopardising the preparation of a 1997 budget and any hopes Spain might hava of meeting the targets for joining the European single currency. Realistically, the present parliament allows for no government except ooe led by the Popular party.

Another parliament might not give Mr Pujol the same chance of influ-ence. He can hardly spurn the opportunity. There is, moreover, much common ground for Mr Pujol's business-oriented party and the Popular party on economic and European policies. The main argument is about bow

much money Catalonia's government has for running decentralised services. But Mr Pujol wants to settle this in a way that enables the central government to keep to its plans for reducing the overall pub-lic deficit. To meet monetary union criteria, the deficit needs to be virtually halved next year from last

discovered, or remembered, the year's 5.8 per cent of Spain's gross existence of Spain's most

ll of a sudden, Spanish were attached to neighbouring newspapers bave been regions. Others such as the Basque country and Catalonia have some running laymen's guides historical basis, rooted in a strong sense of local identity. to Catalonia and essectial Catalan vocabulary. It is as if the rest of the country has just Because of this, the responsibilities devolved to regions vary considerably. A fast-track

party, which is having to adapt to a semi-federal structure it did not design. The party has set itself the task of bringing financial discipline to the regions and making them answerable to taxpayers. **Regional** governments account

for a quarter of public spending

FRANCE



SPAINT Madrid

Back on the political map

when to bold elections for their

elections on a regular four-year

as in Catalonia or the Basone

country, where home-rale

cycle.

parliaments; the others bold their

Regional institutions in southern

Spain do not have the same stature

governments existed in the 1930s

Western Electricity, the distribu-tion company. This would further increase the industry's vertical integration.

Such a union of generation with the monopoly business of regional distribution would be unacceptable. Unless the government clamps down on such mergers there is every risk of creating an industry dominated by a few generation-distribution groups. It could also undermine competition in generation and supply which the government tried to create through privatisation.

The government's stated policy of encouraging competitioo in generation and supply of electricity has already been undermined by the decision last year to allow Scottish Power, the Scottish generator, to buy Manweb, the northern English distribution company. The prospects for a competitive market would be further darkened if the government now allowed two more bids by generators for distribution companies - the

to promote internationally competitive companies. It is far more probable that companies operating in a competitive environment at home are most likely to do best overseas. Moreover, even if one accepts that a certain critical mass is necessary in such a largescale industry as electricity, then leading UK companies already have it. Both National Power and PowerGen are active abroad. Southern Company is waiting to

see how ministers respond. Fortunately, it is not too late for Mr Lang to block the National Power and PowerGen bids. He should do so quickly to end uncertainty and restate the government's commitment to a competitive power industry. He should also declare that foreign companies are as welcome to invest in electricity as in the rest of the economy. And that they will face the same competition rules as domestic groups - no more and no less.

Investors, who panicked over the solidation is hardly the best way inconclusive election result, have decided things are not so bad. The markets confidently expect a Popular party government and a reinforced commitment to the difficult goals of European monetary union. After the post-election upset, stock prices are near an all-time high. The peseta has been relatively strong, higher now against the D-Mark than before it was devalued a year ago. Inflation is at its lowest since democracy was restored, and the independent central bank has been confident enough to cut official interest rates by a full point

since the election. The two most relaxed political leaders these days are Mr González and Mr Pujol - an odd outcome, since both lost the elections. Mr González, still governing in a caretaker capacity, was beated after almost 14 years in office. But his relief at the narrowness of the Socialist defeat is patent; reinvigorated, he oow reckons he was

doméstic product.

An Aznar government would take early steps in this direction, with cuts in spending plans for this year. Assuming a deal is struck with the Catalans in the next few days, their support will be enough to carry through the 1997 budget - in effect giving the government a clear passage to the end of next year.

But the Spanish regional parties are reluctant to commit themselves to a formal coalition. The calculation in the Socialist camp is that elections could return to the agenda in 1998 - by the choice of either Mr Aznar, seeking a more solid mandate, or Mr Pujol's party, preparing to defend its own regional election

the following year. By this reckoning, Mr Aznar, after his delayed start, can look forward to two years of reasonably secure government. To succeed in that time both in cleaning up Spain's national accounts and in keeping an electoral lead would be outte a feat.

productive region Parties from Catalonia and other regions, ranging from moderate to

secessionist, have only 32 of the 350 seats in Spain's congress. But the absence of a majority for either of the main parties means they find themselves with a pivotal role in the formation of a new vernment.

Regional questions were forced under the carpet during four decades of Francoism by suppressing local nationalist movements and indigenous languages other than Spanish But the movements bounced back after the restoration of democracy.

In an attempt to accommodate before General Franco came to Catalan and Basque ambitions for power. But the newfangled greater political autonomy, a governments have gained federal structure of 17 regions was momentum since they were created between 1979 and 1983. created, and the regional Some are artificial inventions presidents have become such as the Madrid region, or heavyweight figures. Of these presidents, 10 now come Murcia, a province left on its own when other sooth-eastern provinces from the conservative Popular

group of seven has a wide range of and one in four civil service job powers in important areas such as Since they were set up, bealth. public-sector employment has rised These include the Basque country

from 1.5m to more than 2m. and Navarre, which, in recognition They have also been amassing of ancient privileges, collect taxes debts - some \$32bn at the end of and pay part to Madrid. Basques and Catalans have their own. last year. The problem with trying to distinctly attired police forces. impose better order and settle Four regions are entitled to decide

definitive arrangements is that there are rivairies between the regions. Catalonia argues that the deal has worked out badly since it gets less per head than others. Bnt poor regions such as Extremadura or Galicía do not see why richer areas should get special coocessions. And, while some regional leaders would like to see a permanent structure, the powerful Catalan and **Basque parties view devolution as** an ongoing and open-ended process. One thing is certain:

whatever deal the Popular party may reach now with the Catalans, it will not pot the issue to rest.

Whitelisting

former director of research at Con-servative Ceotral Office and now a Conservative parliamentary candidote, was quoted as saying that "immigration. an issue which we raised successfully in 1992 and in the 1994 Euro-elections campaign played particularly well in the

.

tabloids and still has the potential to hurt". The result of the 1992 campaign was the 1993 Asylum and Immigration Appeals Act. which established a "fast track" appeals procedure for "manifestly unfounded" asylum applications. In practice this has done little to reduce the time taken to process appeals, but it has mysteriously brought about a sharp drop in the proportion of asylum seekers exceptional leave to remain". It seems that immigration officials and tribunals increasingly treat all applicants as "bogus" unless they can prove otherwise well

beyond reasonable doubt. Now the government seeks to repeat the trick with its Asylum and Immigration Bill, which has now reached the House of Lords. This will extend the "fast track" procedure to new categories of countries on a "white list" designated by the home secretary. The list he has so far announced includes India and Pakistan both countries with a considerable track record of arbitrary detention and Ill-treatment. Even if Nageria is not une of those he intends to of customering its re-election.

.

Last year Mr Andrew Lansley. add after the bill's passage (as per-former director of research at Consistent rumours suggest) it seems wrong to afford the executive such broad discretion, especially given the inevitable diplomatic pressures that will make it reluctant to remove countries from the white list once they are on it.

Even more worrying is the pro vision that asylum seekers can in future be returned to so-called "safe third countries" on first refusal of their application, before any appeal has been heard. This is contrary to natural justice, since it prejudges the outcome of the appeal. (If the country is in fact unsafe, for instance because it is likely to deport the applicant to his her country of origin, the appeal becomes meaningless.) Other clauses are equally object

tiooable, notably the one that makes it a criminal offeoce to employ an "immigrant" who is not legally enritled to work in the UK As an independent panel chaired by Sir lain Glidewell, a recently retired Lord Justice of Appeal. reported this week, this clause may "have a serious effect on the employment opportunities of peo-ple from the black and minority ethnic communities". Seldom can the second chamber

have had a better opportunity to demonstrate its utility. This piece of legislation is illiberal, unjust and unnecessary. It bears all the hallmarks of a cheap electoral common, undertaken by a government growing in extremis for wave

Seshan and the bullrushes

More than 1,000 of India's top industrialists sat spell-bound yesterday, listening to a speech that hit all the issues employment, education, poverty corruption. At one point, the whole Delhi business conference rose to its feet, crying "Indian democracy" amid ringing applause. For a moment, India's boring election campaign came alive. Trouble is, the speaker - TN

Seshan, India's chief election commissioner - was the very chap politicians blame for turning the campaign into such a damp squib. Seshan has been very tough on pre-poll political spending, cramping everyone's style - except his own.

Maybe it was all just a clever plot by India's most controversial bureaucrat to make a late bid for the premiership? Seshan, 64, is admired by some and dismissed as overweeningly arrogant by others. Orator, author, self-appointed moral guardian, and part-time astrologer, it still isn't clear if he has a hidden agenda. One businessman asked him outright: "Would you consider standing for election?

Seshan unblushingly replied: "Don't put me at the front, I'm not Jesus, I'm only Moses". His task. he said, had been to wake the corrupt, complacent political life of India from its slumber. We'll take that as a no. But, asked another from the audience fan - and a veteran of heated trade would Seshan don his astrological negotiations with Hashimoto. The cap and risk a forecast about the elections? "I will only give a prediction commensurate with my remaneration for it," he said. Anyway, recently I have given up astrology. I'm now on the Internet".

Let's play ball

trade concession.

It's one of the little traditions of

US-Japan summits that the Japanese prime minister offers the

US president a gift - usually a

Plenty of politeness, even

warmth, was in evidence as Bill

Clinton and Ryutaro Hashimoto

and pledged to strengthen their

security alliance. The leaders of

economies were in a cordial mood

the doughty Heshimoto in charge

Still, the obligatory gift was not forgotten - simply handed over the

but - as might be expected with

there were no trade concessions.

previous evening at an informal

baseball glove - a little tightly cut

for his meaty fist - and hall from

Hideo Nomo, the brilliant Japanese

nitcher who has shot to mega-star

status playing for the Los Angeles

Clinton was asked whether he

would show the Nomo gift to

dinner. Clinton was given a

Dodgers.

the world's first and second

shook hands in the sun yesterday

OBSERVER

esident declined on the grounds that Kantor would probably keep them. He's not the first to conclude that gifts from Japanese prime ministers need guarding carefully.

Mickey Kantor, the new commerce

secretary, who is an avid Dodgers

News digest

Haunted by the memory, meanwhile, of the last time a US president sat down to a state banquet in his honour in Tokyo. Jananese officials were taking no chances last night.

Everyone remembers George Bush's ill-fated summit in January 1992 for the unfortunate moment when, suffering a bout of what was diplomatically called "influenza". he slumped sidewards and threw op into the lap of his host, the then Japanese prime minister, Kitchi Miyazawa.

His discomfiture might have beeo eased if the moment had not, by chance, been captured on the small screen. A Japanese TV crew covering the banqoet had, in the usual way, been ushered out following the toest. But they had inadverteotly left their camera rolling ...

Bill Clintoo, bowever, was able to tuck into his supper last night safe in the knowledge that, should his gastric system rebel at raw fish, the event would not be shared by a billioo viewers. Cameras were to be turned off, and pointed away from the tables. Just in case.

Calling the deity

Leading western shareholders in the European Bank for **Reconstruction and Development** want to see the bank start thinking about working itself out of a job. Indeed, Jürgen Stark, German Finance Ministry state secretary said the bank's philosophy should be that "the best job it can do in a country is to make itself superfluous."

Not that they feel the same about 66-year-old Jacques de Larosière. Governments fell over each other in their eagerness to heap plaudits on the bank's president, grateful for his having rescued it from its disastrous early years under Jacques Attali. De Larosière's first four-year term expires in 17 months: Lamberto Dini, Italian prime minister and outgoing chairman of the board of governors, says a second term for the former IMF managing director would "certainly have my support, Italy's

support, as well as that of many other member countries." When asked for his view aboot his future, De Larosière was in metaphysical mood. The decision depended on at least three factors. he said: "God, namely my existence on this planet, the shareholders, and my own view of the matter."

Hello God?

Alarmist rumours are becoming the fashioo in regard to the Matebele rising, and last night it was actually reported that Bulawayo had been attacked and taken by the natives. We advise our readers oot to lend too credulous an ear to all the stories that are being circulated We need only say that we have before us a private cablegram, dated from Bulawayo oo Thursday afternoon, which says. "Outgoing mail destroyed en route. Town in laager. Citizens armed." Bulawayo was, therefore, safe on Thursday afternoon, and if the Matabele are holding the country so securely, how is it that cables are coming through. At the same time, it is evident that the situation is sufficiently serious without clap-trap exaggeratioo.

50 years ago

Wild trading at Jo burg Extraordinary scenes were witnessed vesterday morning when market operators surged on the floor to execute orders. In corridors and brokers' offices the public thronged in excitement as prices of leading Free State shares came through oo the tickers. Activity was maintained to the close, which was very firm.

"Financial Times

100 years ago The Matabele rising



ese economy and its reconstruction," said Mr Nasser Saidi, deputy governor of Lebanon's central bank. "Israel's aim is to prevent Lebanon emerging as a regional financial and commercial power.

Mr Saidi echoed a demand by Mr Rafiq al-Hariri, prime minister, that Israel compensate Leba-non for the damage inflicted on its infrastructure, already estimated to cost \$200m.

In the course of the onslaught Israel says is directed against the Shia Moslem Hizbollah militia fighting its occupation of south Lebanon, Israeli jets have

the \$32bn Horizon 2000 plans to replace the country's shattered infrastructure. Through these, Lebanon wants to become again the services entrepot for a region reshaped by peace, and in particular a sophisticated capital market channelling funds into the

Lebanon has suffered four big assaults by Israel since 1978, but its chances of peace with the Jewish state depend on progress in stalled peace negotiations between Israel and Syria, which dominate Lebanon through the ments. presence of 35,000 troops. The Beirnt government regards Israeli compliance with United

Middle East.

education, water - you name it." Already electricity supplies to Beirut have fallen back to between four and six bours a day, the government says, after having been rebuilt to a 24 hours supply in January for the first time in nearly 20 years, partly through imports from Syria. Mr Saidi said 'I think people outside Lebanon sbouldn't be surprised if they see more rather

than less extremism emerging" as a result of the Israeli bombard

with Hizbollah, Page 4

Israelis demand formal truce

ple cannot take."

Mr Seshan's remarks will only burnish his image as India's most outspoken bureaucrat and self-appointed censor of public morality. He is widely felt to have done more than any predecessor to curb some of the more rampant excesses which had become part of electioneering.

Some politicians have blamed Mr Seshan's tight scrutiny of election spending limits for having created an unusually subdued campaign before the poll begins in nine days' time. His speech wrapped up a

parties set out their economic policies. It also revealed a shared

ings that some limits should be

senger yields to fall. But yesterday's announcement by two-day meeting in which the AMR, the parent of American Airlines, leaders of India's main political

US airlines

The first crop of US airline results confirms last year's rebound in profits.

Price competition has eased, passen-

ger volume is holding up and airlines

have so far resisted the urge to buy

aircraft. The worry is that this more

comfortable state of affairs has made

it harder than ever to persuade unions to accept cost cuts - USAir has still to

address this problem. And the long-term trend is still for airline pas-

software group to disappear again. Over the past six months the stock has underperformed tha Frankfurt market by a third due to fears that its main software product could rapidly become obsolete.

But SAP does not look as if it is about to implode. Yesterday's firstquarter results gave analysts a chance to tone down their forecasts, but they still expect earnings growth of 45 per cent this year. SAP depends heavily on one product; its R/3 server software accounts for nearly two thirds of turnover. But this is a market that is expected to grow at 30 per cent a year for the foreseeable future. And SAP dominates the segment for personnel

logistics and financial management

the opportunity to improve its profit margins. However, L'Oréal is also hav-ing to fund a belated push into emerging markets, which currently account for only 10 per cent of sales and far less of profits. P&G is a long way in front in these more dynamic markets and L'Oreal's push to catch up will come at the expense of sbort-term profits growth.

· . - .

On 1997 forecasts, the shares are trading on a 60 per cent premium to the French market, on the basis of price-carnings ratios. Of course, it has always commanded a dramatic premium, but then it used to have growth prospects to match.

> Additional Lex comment on Smiths Industries, Page 22

Japan links |Southern eyes merger **Continued from Page 1**

Japan should allow its soldiers to

fight alongside allies abroad. Yesterday's accord confirms Japan is to offer, for the first time, supplies and logistical belp to US forces in joint peacetime training or on UN peacekeeping anywhere in the world.

It calls for more exchanges of technology and equipment and more joint research and development of equipment, such as the F-2, Japan's new jet fighter. The agreement commits them to work more closely on missile defence.

Continued from Page 1 months. It had hoped to conceal its interest until after the governalternative could also be offered to National Power shareholders. funded by an 28bn loan facility the US group has lined up with a

consortium of banks. Although there are US regulatory limits on how much money Southern Company can invest abroad, the group has recently secured an increase in these lbmits, allowing it to forge a deal with National Power

Southern Company has been working on a possible merger with National Power for seven

1020

ment ruled on the generator's bid for Southern Electric, but feverish speculation in the stock market abont a bid for National Power forced yesterday's announcement News of the US group's interest in the generator sparked political controversy. Mr John Battle, Labour opposition's energy spokesman, said; We are worried that the struc

placed on foreign and "multina-tional" investment into India, particularly in consumer goods. Mr A.B. Vajpayee, leader of the Hindu nationalist Bharatiya Janata party, the chief propo-nent of self-reliance said the perty was neither "ani-reform-ist" nor "anti-free market" and was not for a "total and absointe ction of foreign investment". But he said there should be a "prioritisation" of permitted foreign flows into high technology and infrastructure, although not ture of such a large group would take it further out of range of the into consumer goods or areas dominated hy India's already protected small-scale industries.



Europe today

A south-westerly wind will draw humid air to the region, and most areas will be cloudy with some ran. The Benelux and France will be dry, although the French Alps will remain cloudy with ram. Germany will have showers, while eastern Europe will be sunny with temperatures reaching 20C. The Ibertan peninsula will be dry and sunny, with some cloud on the north coast. Italy will be sunny, Sicily, Turkey, the Balkans and Ukraine will be wet, while a wide area from southern Sweden across Poland to Belarus will be warm and sunny.

Five-day forecast

T.

A high over the western Mediterranean will slowly move to the Balkans and Greece during the weekend. Spain, Italy and central Europe will be dry and sunny, and by Monday temperatures in central Europe will reach 25C. Spain will be cloudy and wet over the weekend, with rain gradually moving into France. A wide area from Italy to Hungary, Poland and Belarus will be dry. The Black See area will also be dry and warm.

TODAY'S	EMPER	ATUR	25			Situation at 1	2 GMT. T	mper	atures movim.	m for day.	Fore	casts by Meter	Consult		Notherlands		
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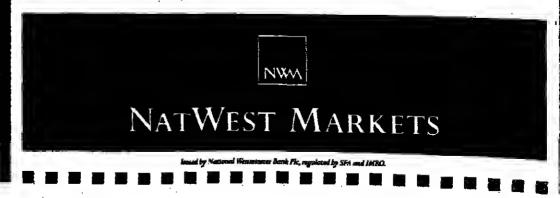
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FINANCIAL TIMES SURVEY

REGIONS OF FRANCE: Rhône-Alpes and Auvergne

Attention starts to focus on issues about power-sharing

The real debate on decentralisation relates to how better to organise elections, taxing powers and administration at the different levels, writes Andrew Jack

ben Frencb politi-cians, policy makers and academics met in Lille in February this year for the first of a series of high-level discussions on the decentralisation of power from the national capital in Paris, they could not have chosen a more appropriate city. Mr Pierre Mauroy, the social-

ist mayor of Lille, was prime minister of France in 1982 when - less than a year after the election of President Francois Mitterrand - the government passed radical legislation to shift control away from the centre and into the regions. The fact that Mr Mauroy beld simultaneously both a national and a local political position of such importance says something significant abont the strong and rather ambiguous links that continue to exist between Paris and the

rest of France. The choice of the location for the conference was no doubt a sore point further south, however, given that the country's secood-largest city, Lyon, is still smarting from the decision late last year to support the rival candidature of Lille for

the French hid for the Olympic Games in 2004. According to a number of critics, that defeat in itself

reflected the tensions between Mr Charles Millon, president of the regional council of Rhône-Alpes, and Mr Michel Noir, the former mayor of Lyon, who dissociated himself entirely from the project. The incident highlights the intensifying competition not only between Paris and the regions, but between the different local levels of administration around the country. It is a conflict that is particularly evident and relevant as France goes through a renewed round of economic pessimism. So it is no surprise that

towns, departments and regions across the country are all making their own competing and contradictory pitches wbether it be for priority in the construction of new infrastructure such as airports, autoroutes and high-speed rail links: or for attracting foreign investors, when each locality claims to be "at the heart of Europe

The debate about decentralisation bas direct repercossions for business. It is no surprise that among its most vocal advocates is Mr Pierre Richard, chairman of Crédit Local de France, a quoted bank specialising in funding for local authorities and the public sector.

Mr Dominique Nouvellet, chairman of Siparex, a capital development fund based in Lyon, laments the drifting of many corporate headquarters from the city to Paris, where be says that a centralisation of decision-making tends to have a detrimental effect on businesses based elsewhere in the country.

There is, however, the notable exception of tyre manufacturer Michelin, one of France's great success stories, which has kept its headquartars firmly rooted in Clermont-Ferrand, the capital of the Auvergne, and exerted a powerful influence on the develop ment of the city and the region

The phenomenon of the centralisation of power in France



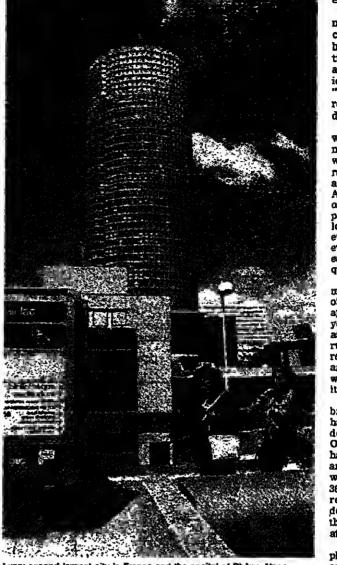
Old au

is nothing new. The historian and political analyst de Tocqueville argued that it went back at least as far as the court of Louis XIV, when the country's regional elites went to the court at Versailles to act as royal attendants. His minister Colbert created the first state budget and dispensed funds for

After the Revolution, with popular democratic support, the trend towards "nationalisation" continued, with many of the local variations in taxes,

laws and special privileges being swept away. It was a pattern which intensified under Napoleon who created an ordered, hierarchical administration to ensure his authority and that of the state. Much of his legacy remains today, with the system of pre-

fects across the country based in the regions but responsible to Paris.



cond-largest city in France and the capital of Rhône-Alper

As a result. Mr Jean-Marc decisions taken by local elected officials before they could be Ohnet, joint director-general of the Institute of Decentralisaenacted replaced by a more tion, an all-party research modest a postion examination organisation ironically based after the event, to see whether in the suburbs of Paris, says the actions would be illegal. that the laws passed in 1982 brought about the most imporand resources of the prefect tant reform since the 19th cenwere also to a large measure handed over to local politi-

Their effect was two-fold. First, the authority of the prefects was much reduced, with their a priori scrutiny of any

training and development, for example

IN THIS SURVEY Mr Ohnet claims that "most non-partisans" argue the pro-Rhone-Alnes cess of decentralisation has Overview Inclustry Page
 Interview: Charles Millon been a success. Local authorities have been given considerably more financial clout, polit- Profile: Euronews Page III ical strength and autonomy. New technology "They have played a decisive Crenoble role in revitalisation, and in Profile; Valence

dynamisation," he says. Yet he adds that in some ways the 1982 legislation did not represent a radical break with the past so much as "a reorganisation of the centralisation" which existed before. An example is the "cumulation of mandates", by which French politicians can hold posts at local, regional, national and even European level at once even though their ability to do each job effectively is open to question.

Mr Alain Juppé, for example, anaged to be elected mayor of Bordeaux after he was appointed prime minister last year, not to mention his post as head of the RPR centre-right ruling party. Clearly the local residents believed his power and influence was a trade-off worth taking against his limited time for their city. Decentralisation has also brought other problems. "It has created too many levels of

decision-making," says Mr **Ohnet.** Metropolitan France has more elected officials than any other country in the world. with mayors for each of its 36,551 communes, as well as representatives for its 96 departments, 22 regions and the national assembly and senate seats in Paris.

At each level there are complex and inefficient local taxes, and different electoral systems, which can create a high degree of fragmentation acting as a bar to reform.

Others criticise decentralisation for the apparent mushrooming in corruption which emerged during the 1980s, as local officials apparentiy abused their new-found powers to peddle influence, award contracts in exchange for lavours. and distribute public funds for their own purposes.

become increasingly impor-There are several instances tant, and merit close attention in Rhone-Alpes alone, not least over the coming months.

Production editor Philip Sanders from Mr Noir, the former mayor of Lyon, and Mr Alain Carignon, the former mayor of Grenoble, both of whom were last year found guilty of corruption and pushed out of office despite their continuing legal appeals. Yet Mr Ohnet argues that

· Overview

Industry

Agricuita
 Tourism

Profile: Michelin

Thursday April 18 1996

such "affaires" are blown out of proportion; that many existed before but have simply been more subject to media attention in the past decade; and that most related to party political funding rather than personal enrichment.

Certainly, the past few years have brought tighter scrutiny from regional public auditors, new laws designed to improve transparency and clarify the procedures for awarding public contracts, as well as a shift away from the 1960s' "easy money" culture.

The real debate on decentral-

isation at present relates to

how hetter to organise elec-

tions, taxing powers and

administration at the different

existing levels, and bow to

bring about greater "inter-com-

munality" or co-operation

between intermediate areas of

perhaps 100,000 inhabitants - a

zone of several communes,

large enough to cover the

working, living and shopping

It is these issues which will

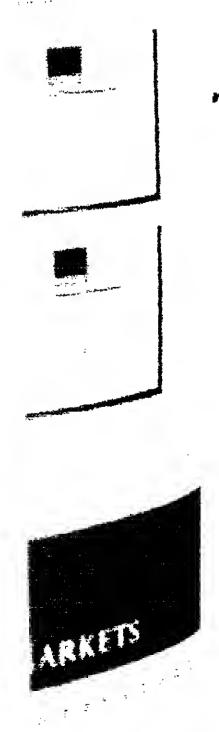
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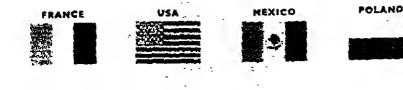


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activities in North America, 2265

with 158 "Smart & Final" stores in the United States and Mexico, Casino has decided to step up its global presence. The Group is racing ahead in Poland to open two "Geant Polska" hypermarkets in Warsaw over the next few months. In 1997, Casino shall introduce its hypermarket concept in Taiwan, working in partnership with one of the leading Asian retailers, Dairy Farm. A modern, multi-chain, multi-format Group, Casino puts the customer first,





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Second, the executive power

cians: the commune for town

planning, the department for

social aid and the maintenance

of schools, and the region for

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TAIWAN

MAJOR EVENTS TAKE PLACE IN **Saint-Etienne**

4

2 WORLD WATCH AND CLOCK INDUSTRY

response to the flood of inex-

Watch groups

п

Strong brands dominate Debutantes out in force

in automatics.

A network of shareholdings and business links connects the great watchmakers

Some of the world's most famous and oldest watch brands are still owned by private companies. They include Audemars Plguet, Chopard, Corum, Girard-Perregaux, Patek Philippe, Raymond Weil, Ulysee Nardin, Vacheron Constantin and Zenith. The mighty Rolex enterprise, the biggest maker of them all, is still controlled by family trusts.

Eterna, which established lts brand of pocket watches in 1876 but was founded in Grenchen in 1856, has just been acquired by Porsche. Eterna set up e production line in 1870 to turn out ébauches (incomplete movements ready for additions of escapements, mainsprings and timing systems). Later the facility became ETA, and is now one of the largest movement makers in the world, and is owned by Société Suisse de Microélectronique et d'Horlogérie SA (SMH).

SMH now controls the world's biggest group of watch brands, and such is the strength of the individual brands it can come as a surprise to find that they belong to the same owner. They include:

 Blancpain, a manufacturer of classic, mechanical wrist-watches founded in 1735; Certina, whose name adopted in 1948, is derived from the Latin for "reliable";

· Endura, which manufactures private label pleces; • the children'e brand Flik Flak:

 Hamilton, the maker of the world's first electric wristwatch, Established in Pennsylvania in 1892 it is being relaunched this month with a stress on its American origins; Longines, the oldest Swiss watch brand registered with the World Intellectual Property

Organisation. SMH's other brands are Mido, Omega, Pierre Balmain, Rado and Tissot,

The company's high-profile chairman, Mr Nicolas Hayek, inspired the creation of its biggest selling line, the Swatch, in pensive Japanese quartz watches which antered the world's markets in the 1970s. More than 180m Swatches have now been sold, and some of the earliest have become collectors' pieces. On sale in more than 70 countries around the world, Swatch will achieve global attention this summer as the official timekeeper at the Olympic Games in Atlanta. Swntch buyers are attracted by the cachet of constantly updating their timepiece, and by the constant innovation. brand's youthful image.

The ETA division is the development centre for all new Swatch products. It has produced the Swatch Scuba, which features the new Loomi electroluminescent glow dial, and musical rhythms for the MusiCall watches. ETA SA Fabriques d'Ebauches is now a vary large borological and



Nicolas Hayeld he pioneered the ful Swatch

microtechnical production complex. It has factories In 12 Swiss locations, three In

Same Se.

refloated it.

France, and one each in Germany, Malaysia and Thailand, For low-priced quartz movements, Hong Kong is the world's largest commercial equity. centre, but ETA is maintaining its market share through its offices in the colony, where it faces strong local competition

and fierce price cutting. SMH also owns the long-es-tablished mechanical movement manufacturer, Frédéric Piguet, which supplies many of the most prestigious watch brands. It has produced the world's smallest antomatic movement and is constantly extending its power reserve

durations - a key selling point

Drawing on its capabilities He now monopolises the top in the electronics and miniaend of the UK watch and clock ture propulsion systems fields retail market, as Asprey in Swatch has formed a joint venturn owns the crown jeweller ture with car maker Mercedes-Garrard, Mappin and Webb, Benz to produce what it refers Hamilton and Inches, and 26 to as the Micro Compact Car branches of Watches of Switsome tima next year. The zerland. The group says it vehicle has already been plans in continue to develop dubbed the Swatchmobile and the Watches of Switzerland stores as quality watch distribis intended to convey the Swatch message - high qual-ity, low price, *joie de vivre*, challenge, original design, and ntors in the UK, and may open in some selected overseas locations.

The long-established maker Les Manufactures Horlogères Girard-Perregaux (GP) is (LMH), another big watch busibebind the highly successful Ferrari watches, which come complate with the famous Ferrness, is a subsidiary of the German conglomerate Mannesmann. This company owns ari prancing horse emblem on their dials. GP's watches are distributed by Time Products international Watch Company of Schaffhausen (TWC), which is known for its Da Vinci and (UK), which, under Mr Marcus Margulies, its chairman and a pilots' timepieces, the long-established A. Lange & Söhne of big sharebolder, has built one of the leading portfolios of Glashutte, and a big bolding in Jaeger-LeCoultre,, the Swiss brand distributorships in the world. Watchmakers handled watch and movement maker. The powerful Hattori family by Time Products includa Audemars Piguet, Blancpain, in Japan owns brands such as Jean Lassale, Lorus, Pulsar, Breguet, GP, Piaget and Vacheron Constantin. More than 10,000 Gulf-based

Time Products also repreinvestors own a 45.6 per cent ents two recently-established stake in Investcorp SA, a big investor in the world of clocks, makers - Alain Silberstein and Franck Muller - and, lower down in the market place, Ruswatches and jewallery. It was founded in 1982 and is quoted sia's Sekonda brand and Apollo on the Bahrain Stock Watch Products, a strap manu-Exchange. At the end of 1995 facturer. In March last year, Mr Mar-

19.1 per cent of Investcorp's s were in luxury merchangulies negotiated the purchase of 77.8 per cent of Audemars dise. Previously it had Piguet (Suisse) SA in what is acquired Tiffany, brought it back to health and successfully regarded as a smart move in supply control and given his In 1993 Investcorp bought 100 deep reserves, one that might er cent of the Gucci Group. well not be his last. Following reflotation in Octo-

ber 1995 the shares started The sixth Salon Internatrading at US\$22 each; by the tional de la Haute Horlogérie end of the year the market opened five days ago, on April price had increased by 77.8 per 13 in the Palexpo exhibition centre in Geneva. This is cent, investcoro and its clients designed as an exclusive shownow own 52 per cent of the case for watchmakers in the The investment company Vendôme luxury goods group. which chooses not to exhibit at also owns Breguet SA, one of the greetest of all wetch the annual World Wetch, Clock names, as well as Société Nouand Jewellery Show opening velle Chaumet and Ebel. in due today in Basel. The watchmakcourse all of these companies will be floated. ers involved are Alfred Damhill. Baume and Mercier, Car-Ownership changes are also tier and Piaget.

taking place in distributioo Exhibitioo space in Palexpo and retailing. Control of the has been greatly increased this **UK** retailer Asprey changed year, with elegant new designs hands in November of last for the booths and meeting year, when Prince Jefri Bolkrooms. A big feeture of the iah, a younger brother of the event was the new Francaise from Cartier. Sultan of Brunel, bought a 90

CROSSWIND

Along with its exceptionally retrast size, BRETTLING'S

new Causswawo unchanned chronograph features a markedly more classic design. The stylish "upmarket" layout of its dial conterns the total refi-

At the end of this year, when very high-altitude

winds will have stabilized, the BRETTLERS ORBITER

will head for the skies. Crewed by Bertrand

Piccard and Wim Verstraeton, this specially

designed balloon will rise into the stratosphere to attempt the first non-stop, round-the-world

flight - the last of the gruat aeronautics adven-

per cent stake for £248.5m

The show provides manufacturers with an international venue at which to unveil new models

> The Basel '96 trade show is a key event in the watch and clock industry's year. Behind closed doors, and generally by appointment only, many of the world's leading manufacturers will show their new products to their agents and key buyers. This, along with the opportunity to exhibit to a wider public, is why, starting today. Switzerland's oldest university town for eight days becomes the world capital of the watch and clock trade.

Basel '96 preview

A watch fair was first held in Basel in 1930. This year 595 companies and organisations involved in the watchmaking industry are exhibiting. Mr Neil Duckworth, founder

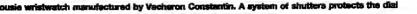
and managing director of Duval, exclusive distributor of TAG Hener watches in the UK. comments: "Basel is the most important watch fair for Swiss manufacturers. It is truly international. Every single important person in the world of watches attends the fair, be they manufacturer, retailer or distributor. If they only visit one fair, this is it." Basel '96 attracts plenty of interest from foreign manufacturers. This year, for example, a group of watchmakers from long-established German centres, such as Glashütte and

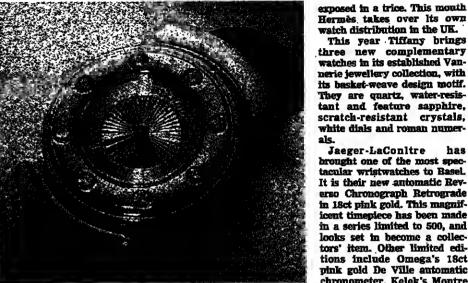
Pforzeim, have come together under the name "Watches of Germany" to co-promote their products. The brands involved include Holborn, Laudier Nomos, Otto Kern, and Schlenker

Old brands are sometimes revived at the Basel event. For example a group of investors has resurrected the name of Jacques Gevril, a legendary 18th-century Swiss watchmaker, and the new company has produced a full range of Gevril watches, comprising ladies', mid-sized, gentlemen's and chronograph versions, in both 18ct gold and stainless steel

Similarly Perrelet. founded in Switzerland back in 1777. was relaunched last year at Basel. This year, in honour of its original founder, it again launched e range of 72 automatic wristwetches. They include the Perrelet Dipteros I which has an unusually large ruby on its central upper

rotor.





جيد فري يوجر وأستجروا الانتصاب الروا

The Chameleon: turning the bezel reveals diamonds, emeraids or rubles

ment. Individually numbered, runs e sizeable operation in Neuchâtel. The well known Bulgari-Bulgari arrived in each watch comes with a fiveyear guarantee and a chronometer certificate. Its 18ct 1977, and its range is further gold rotor can be admired extended this year et Basel. through its sapphire caseback. There is also e new automatic Three other new watches to Sonelette in 18ct vellow gold look out for at Basel '96 are: and e Rattrapante chrono-• Omega's new Constellation, graph, in either platinum or which has a elightly domed 18ct gold. Hermès has been producing sapphire over its dial and highly individual wetch rounder log treatment leading to a smoother bracelet than in. designs since the 1920s, such

as the Arceau, with its italiprevious models: • Girard-Perregaux's Pour cised Arabic numbers wheeling around the dial, the Kelly, Ferrari chronograph range, intended to follow up on its with the watch set in the pad-Ferrari F50 watch last year. lock on its stran, and the covwhich was limited to 349 ered Medor. The dial of its pieces, just like the car; Loquet wristwatch can be

· Ebel's new automatic Modulor, a contender in the chronogreph (stop-watch mechanism) market, which is also certified as a chronometer.

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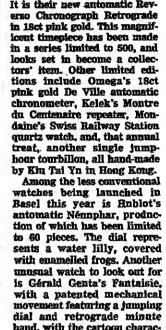
over 70 countries.

Jacger-LaConline has brought one of the most spec-tacular wristwatches to Basel. It is their new automatic Revdaine's Swiss Railway Station Among the less conventional watches being launched in tion of which has been limited

to 60 pieces. The dial reprewith a patented mechanical nt featuring a jumping moven dial and retrograde minute hand, with the cartoon character Mickey Mouse pointing out the minutes.



Hermes takes over its own watch distribution in the UK. This year Tiffany brings three new complementary watches in its established Vannerie tewellery collection, with its basket-weave design motif. They are quartz, water-resistant and feature sapphire. scratch-resistant crystals, white dials and roman numer





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NAVITIMER SPATIOGRAPHE

BRETTLING has radically improved the legibility of its NAUTIMER selfactualing chronograph. Its new SEARAGERAPH, pattures for ausbrace a mounde totaleer with a mechanical disital display system that procedes direct short-time readouts to up to ten minutes. Short-time measurements can total up to three hours. With circular slide rule for multiplications, dressons and unit concersi



In 1996, the BREITLING ACADEMY will be providing highly advanced flight training to some of the world's most promising young aerobatics pilots. World champion and BRETLING trophyolder Xavier de Lapparent will supervise training sessions for them as they out the BRETLEVO ACADEM''S Sukhai 31, Cap 232 and Extra 300 aircraft through their paces.





NAVITIMER MONTERILI AND

Absolute harmony in stort marks the new case design high-performance MONTBRILLANT BRETEINGS mechanical chronograph, equipped holay with the nere NAVITMER bracelet to form an instrument was responsed on the days when the original side rule-capitped N within a first took to the our.

. Blandagets SCOTT CARPENTER

The U.S. Navy's Top Cun air-combat school, the Blue Ameris, the R.A.F.'s Red Armes, the Patrouffe de France, astronaul Scott Carpenter all aeronautics legends to whom BRETLING is proud to deducate its very limited-edition insits, available exclusively from the most qualified retail rewelters.

This nearest version of the AEROSPACE multifunction electronic chronograph provides an audible indication of the hours and minutes simply by pressing on the crown.



INSTRUMENTS

FOR PROFESSIONALS

The wa mechanism is the first to indicate 30-31 day months on a yearly cycle. The dial, with its tritium-coated gold roman numerals and hands, indicates

This year Patek Philippe is

showing the Quantlème Annuel watch for the first

The event attracts a lot of interest from foreign makers

the day, month, and 24 hours. Andemars Piguet (AP) always has attractive new timapieces to show to its agents and buyers. This year at Basel it will show several commemorative models. The Millenary range celebrates the coming dawn of the third millennium. It has an unusual oval case, broadest on the 9-3 o'clock axis, which can house any of the brand's movements. Even some of its subsidiary dials are in the same oval shape The Carnegie model, also

from AP, honours Andrew Carnegie, the ironmaster who became one of the world'a greatest entrepreneurs during the last century. It comes in a variety of models, in 18ct yellow or white gold, diamond-set or plain. The recently-founded Daniel

Roth, like AP, has also pro-duced a watch with an unusual case shape – ess tially circular, but with two straight sides - housing an antomatic chrocograph of great elegance in either gold or stainless steel. Its screwdown crown gives it water resistance to 30m, and its hand-crafted movement can be seen through its transparent sapphire back. Jalousie is the name given

by Vacheron Constantin in its fame, is launching its new new mechanical watch in 18ct Arcus range of jewellery pink gold. It has a unique syswatches at Basel. These are tem of shutters, which can be distinctive for their oval opened to read the time of day, shapes (down the 12 to 6 or closed for protection. The o'clock axis) and curved cases, with dials of mother-of-pearl shutters, which are similar to Venetian blinds, are operated or red lacouer. via a small slide set with a Ebel today unveils its com-

cabochon sapphire on the lug pletely new quartz Shanta setting below 3 o'clock. This curved ladies' dress watch in eye-catching piece belongs in Vacheron Constantin's Les 18ct yellow gold. It is notable for its open-work hinged cover Historiques Collection, and and integrated opan-work echoes a 1980s' piece. bracelet, and comes with s This year Zenith is presentfive-year guarantee.

Bulgari is the third largest ing its Chronomaster Elite at jeweller in the world, and is Basel. This is the widely respected 18ct yellow gold still family-controlled. Its Chronomaster now fitted with watchmaking activities go back to the 1940s and today it Zenith's own ultra-thin move-

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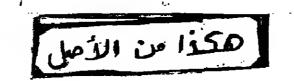
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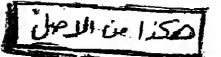
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DeLancan's Golden Dream. which has a shutter which slides open and shut over 54 ruby bearings (rather similar in cooception to Vacheron Constantin's Jalousie), and Dianoor's Chameleon. which the revolving bezel can be used to select diamond,

in

emerald or ruby surrounds. There are new models this year in Patek Philippe's Calatrava line. In one the bezel with its four concentric rings of guilloché pettern, nicely underscores the Clou de Paris guilloché dial. Audemars Pignet is presenting an anto-matic Royal Oak Offshore for ladies with a date window at 3 o'clock. The Le Brassns-based company also has a ladies' version of its new Carnegie model. Corum, of Admiral's Cup



REGIONS OF FRANCE: Rhône-Alpes III

INTERVIEW Charles Million, president of the regional council of Rhône-Alpes.

Important challenges

it has been a hard-working Saturday for Mr Charles Millon, writes Andrew Jack. Before discussing

Rhone-Alpes, he has already taken part in a debate with students about the future of national service, visited Boverpo, the regional cattle fair, and helped inaugurate the Foire de Lyon, an annual trade fair.

. Mr Millon has been mayor since 1977 of the village of Belley where he was horn in 1945. He worked his way through local and national politics to become minister of defence last year, reflecting his long-standing loyalty to He says that the fact that . President Jecques Chirac, Rhône Alpes has already He has been president of the hosted Olympic events three regional council of times this century, most Rhone-Almes since 1988. recently the 1992 winter There is no evidence that Olympics at Albertville, was Rhône-Alpes was e historical negative factor for the or geographical unity," he committee. He adds that Lille. says. "We have had to work the rival candidete, could hard over the last 20 years to arguably make e stronger case forge the region. Little by for needing a boost to help the little, people have developed e local economy. pride of belonging."

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£,

He says its strong communication links, the concentration of businesses and educational institutions, and the high quality of life all make it an attractive region for foreign investors. Increased co-operation between Lyon and other leading cities in the region has helped bind Rhône-Alpes together, he says. He cites a strong network linking Lyon with St Etienne, Grenoble, Annecy, Chambery and Valence which, he says, was "revitalised" after the election of Mr Raymond Barre as mayor of Lyon last June. Not everything has been so positive recently, Rhône-Alpes suffered a blow when the French Olympics committee decided to opt for the rival city of Lille as Its preferred candidate for the Olympic Games in 2004. Some critics argue that the decision reflected a lack of support

from local people, and notably the refusal by Mr Michel Noir. the mayor of Lyon until last year, to endorse a project which had come from Mr Millon and the regional council.



Restructuring of the French military sector will affect the region

Mr Millon rejects the idea.

One of his priorities for the

Millon: worked his way through

region - reflecting a growing

debate at the national level

- has been the issue of the

part of what he calls "the

with more than 3m people

registered as officially

upennloyed

reduction of working hours, as

struggle for jobs" in a country

Just before Christmas, the

government held its "social

summit" with the unions and

employers' federation as part

of the resolution of the strikes

that had gripped the country

in response to proposed

local and national politics

welfare reforms. Even Mr Alain Juppé, the prime minister, said he was willing to discuss reductions in

working hours. On the same day - in a move that raised some eyebrows - Mr Millon announced in the regional council to Rhône-Alpes his own plans for an initiative. He wanted local businesses to reduce the 39-bour working week to 32 hours but pay to be pegged et the rate for 35 hours, with the cost of the

three supplementary hours picked up jointly by the local and national governments. The details are only just . being finalised, with the first three pilot companies beginning to operate the scheme this month and a total of 50 under study. The subsidy is to take the form largely of tax deductions for the narticipating groups.

We need a complete modification of our way of life," says Mr Millon. "It's a vast project, but we either move towards a much more liberal system with strong inequalities like the UK, or we develop structures to ease the tensions if we want a society than is more pleasant to live

in Mr Millon stresses two other priorities that be has for the region. The first is

infrastructure, notably the need for more rail links - both a faster connection between the east and the west of the region to help feed into the Satolas airport - and the "very very important" fight for a TGV high-speed link

from Lyon to Turin, for which feasibility funding was last year approved by the European Community. He is rather more ambivalent about the Rhône-Rhine canal link, enabling legislation for which was passed last year. "The canal would be useful, but it is essential to take into account the economic and the ecological effects," be warns. "We have to remove the

emotion from the debate." His second priority is regional development, helping to balance the varied levels of economic strength of Lyon and the central part of the region with the less-developed mountainous areas to the east and the more agricultural south. He says he wants to promote greater co-operation between local communities to focus on key projects to aid

their growth. Mr Millon has been the focus of much attention recently because of his role - along with President Chirac - in announcing e radical restructuring of the French military sector, including plans to end compulsory military service in its current form, and to close many bases Yet, despite the high concentration in the region of both soldiers and defence contractors likely to be affected hy the reforms, he denies that there has been any local backlash against him so far. He stresses the long-term time scale over which the reforms will be brought about, and the importance to be placed on restructuring and aiding manufacturers to switch to other forms of

production. For the future, be says that one of the most important challenges for the region is for it to make itself better known and more tightly integrated internationally, "People in London know Paris, Geneva and the Alps," he says. "But they don't know Lyon, St Etienne and Grenoble." He emphasises that this June's G7 (Group of Seven) meeting of world leaders is an "excellent" step in the right direction.

PROFILE Euronews Tough transition in progress

Tucked away in a small industrial estate in the suburbs of Lyon is a small business often mentioned locally with a pride and a frequency far out of proportion to its size. The only cine to its identity from the outside of its nondescript building is the presence of several large satellite dishes on the roof.

Euronews - sometimes described as a European equivalent of the US-based CNN - may only employ about 160 people, but its product is widely broadcast around the continent in a mission to provide up-to-date news with a European focus, 20 hours a day.

Yet the organisation, formied at a time when the philosophy and practice of television broadcasting was extremely different at the start of the 1990s, is now facing a tough transition which is far from over.

The idea from the start was that Europews would be owned by public television stations throughout continental Europe, aided hy the European Community. "It was to provide a counter-balance to CNN, with a much more European focus. says Mr James Baer, the new chief executive appointed at the start of this year. However, the BBC - already wrapped up in its own priorities and projects for international broadcasting - decided early on not to participate. German public television mitially expressed interest but then pulled out, citing the difficulty of getting accord between the Länder when Lyon won the contest to house the station ahead of Munich

That left France - with its France 2 and 3 public channels - as the largest backer, accompanied by a further 15 other national broadcasters enlisted as sharebolders, from which the rotating chairman is selected. Euronews has access to all their news and analysis programmes, and in exchange they are allowed to rebroadcast the company's

TV also contribute their of the funds, the European images free of charge. In Community itself. addition, Europews is supplied The problem for Euronews is across the continent to many that its ownership structure of its 21m cable television and business philosophy has subscribers, and the 2m or so rendered its situation who can view images directly precarious at a time of tremendous change in the from the European **Telecommunications** Satellite public sector. It does not Organisation's satellite. publish accounts, although "I think it's a great executives say it made losses

product," says Mr Baer. "The of at least FFr50m last year. network is appreciated hy on a inchover of FFr180m. those who watch tt. You see it That comes after assistance. if you want quick, up-to-date including rent-free buildings, for the first 10 years of its information on the latest existence. news, for perhaps 15 or 20



Serge Tchuruk: decided he wanted Suard: forced to resign after being to refocus the group banned from contact

minutes." He says that while There has been relatively television networks often need little hilling of the netional one or two hours between public sector broadcasters for receiving images and use of its images, and it is rebroadcasting them in a news currently supplied free of slot, Euronews is ready to go charge to cable operators on the air within four or five throughout Europe. There is minutes of receiving images. only scanty information available on the number of There are currently services in five different languages people who even watch the service.

- English, French, German, Discussion appears to be Spanish and Italian. The images are identical on each only just beginning with channel, but Mr Baer stresses digital television broadcasters that the commentary is not for their new satellite services. simply a translation but a likely to be launched across Europe later this year. different text written hy teams Equally, Euronews's of journalists for each service, The group claims there is no commercial activities are political slant in the selection under-developed. Until the of images and news stories, start of this year, it was but there is one explicit possible to buy advertising slots on the programmes for as little as FFT3,000 and Mr Bear editorial bias - to broadcast items which concern Europe and which help aid the says there was little attempt construction of Europe. That until recently to even solicit

reflects the identity of advertising. Euronews's other backer.

He says that there is oniput. The BBC and German ... currently providing one-third currently only an average of

perhaps six minutes of advertising an hour - and much of that is by home shopping services which he wants to reduce - compared with the 12 minutes which is permissable under the French broadcasting regulations with which Euronews must comply. Against the backdrop of potentially growing financial difficulties, Euronews last year managed to find some limited salvation through Générale Occidentale (GO), the media conglomerate previously owned by the financier Sir James Goldsmith and now part of the French

Alcatel Alsthom engineering and telecoms group. GO agreed to inject FFr115m in exchange for a 49 per cent stake in the Euronews holding company, with the rest retained by the public broadcasters. It was also given the power to nominate the chief executive - its first nomination being Mr Baer. But after the recapitalisation last year, Mr Pierre Suard, the head of Alcatel and the man who had seen the growth of GO's media interests, was forced to resign after being banned from contact with his group by a French judge as part of an

investigation into allegations of corruption and over-billing of clients. Mr Serge Tchuruk, who replaced him. decided he wanted to refocus the group, and GO's future involvement with Euronews bas since looked more open to question. Future discussions about programming include the possibility of broadcasting in Dutch and in Arabic - a project which interests the EU given its proximity and the developing links with the region - as well as in Portuguese and perhaps, in the longer term, in Russian, Mr Baer says be hopes to be able to broaden the number and type of viewers, as well as attract new advertisers. He also anticipates substantial management changes internally. All that, and e target to break even by the year 2000.

Andrew Jack

* *

Where to make profits?

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TGV high speed train network. this centre of excellence with more than 20,000 researchers is less than two hours away from Poris.

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VI REGIONS OF FRANCE: Auvergne

Tourism: by Andrew Jack

VI

Campaign is hotting up

There are more than 50 historic houses and castles linked by a series of trails as part of the 'route des chateaux'

The campaign to turn Auvergne into an attractive tourist destination is botting up. A new summer advertising campaign recently launched on French talevision shows a happy couple in swimwear relaxing in the sun next to a lake, rambling in open fields. exploring a chateau and rafting in river rapids.

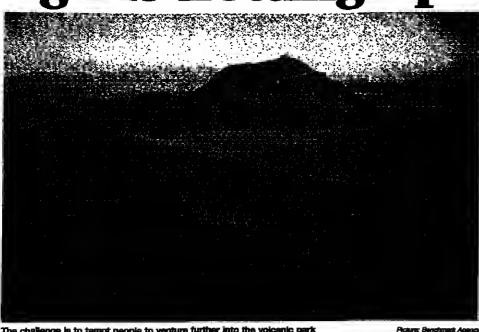
The region might not be the first location to spring to mind when considering a holiday, but it is certainly doing its best to raise its profile and highlight some of its little-known strengths.

"1995 was a better season in Auvergne than elsewhere in France," says Ms Béatrice Rozier, head of promotion of the regional tourism commit-**People** are rediscovering rural tourism. They no longer consider being by the seaside as the only object of a holiday. They are looking at culture, and discovering regions they do not know very well."

She says that Auvergne is attractive in summer because it has good weather while being less extremely hot than some southern parts of France. Equally, prices are relatively low - an important factor at a time when much of Europe is suffering from an economic

slowdown, According to Mr Christopher Mignon, a geography professor at Clermont-Ferrand, until the 1980s the region attempted to capitalise on its volcanic landscape to build an image in winter for "mountain tourism". The result, he argues, was "catastrophic"

"Anvergne is not the Alos." he says. "The mountains are lower, there is less snow and sometimes none. It was very risky." Equally, in the summer, the stress was on a type of visitor of relatively modest means, who spent little. There was little infrastructure to encourage the opening of the region to other groups.



The challenge is to tempt people to venture further into the voicanic park

thera has been a radical change, with the emphasis shifted to "nature and culture" and "the tourism of open spaces" in the summer, aided by the development of organised trails and the improve-

ment of reception facilities. winter, it means ln cross-country skiing as much as the downhill variety more suitable to the Alps, with centres such as Besse, Super Bes and Mont Dore offering considerable possibilities even when there is relatively little snow.

That does not mean that there are not still considerable challenges ahead. Even Mr Valery Giscard d'Estaing, president of the regional council. concedes that Auvergne lacks adequate tourist accommodation, particularly of top standard. Mr Mignon stresses that many of the visitors attracted to the region are still relatively modest spenders, bringing limited benefits to the economy.

Nevertheless, there is considerable potential. Puy de Dôme, the extinct volcano just to the west of Clermont-Ferrand, with impressive panoramic views on a clear day, is the second most frequently visited natural site in the country, with some 400,000 annual visits.

The challenge is to tempt people to venture further into the volcanic park to the south rather than simply taking a In the past 12 years, he says, short half-day trip from the

It is well-proven

including fishing, riding and city. The park itself - the larg-

est in France at some 395,000 trekking. There are more than 50 hishectares - contains about 100 volcanoes of varying types. toric houses and castles, linked by a series of trails as part of For the future, one of the "route des chateaux" devel-Auvergne's great hopes lies oped over the past few years. with an idea from Mr Giscard There are a similar number of

d'Estaing. He arranged for the purchase of an old military Romanesque churches, built in a specific style developed in exercise area to the west of Clermont-Ferrand, on the the region. northern perimeter of the Parc des Volcans, which he hopes to metiers", which takes in workconvert into a European volshops demonstrating crafts as varied as crystal-engraving, cano museum.

cheese-making, fruit bottling. The aim is to open the museum, costing some bee-keeping and the production FFr400m, by 1999, and Mr d'Esof foie gras. There are 10 thermal stataing believes that more than 500,000 visitors a year will be tions, including the bestknown at Vichy, offering a attracted to the park. The architect has been selected, a range of health cures through name - Volcania - approved as drinking and bathing in spa the result of a competition by water, as well as opportunities

local schoolchildren, and conto simply relax. struction is expected to start in There are cultural events the next three months. including the festival of la Chaise-Dieux, dedicated to Three-quarters of the centre will be underground. There reproducing religious music,

and the medieval-style Bird will be a large projection gallery, facilities to simulate erup-King celebrations. tions, a huge artificial volcano, And finally there is gastronand a garden symbolising the omy, given the region's agrifertility following an eruption. But there is more to cultural strengths and its strong, long-standing tradition Auvergne than volcanoes. The of restaurants, which retain an region boasts a second natural important hold in Paris. park, of Livradois-Forez, as well as the oak forest of Troncais, containing soma trees reportedly more than 300 years

Auvergne has five appellationcontrolled types of cheese including cantal and Saint-Nectaire. It has even applied for old. It has placed increasing recognition of the quality of its emphasis on sporting activities lentils.

There is a "route des

PROFILE Fiercely loyal to his roots

He may be relaxing in the study of his sumptuous mansion in central Paris - the city where he spends a good deal of his time - but Valéry Giscard d'Estaing has a passion in his eyes when he talks about his native Auvergne.

Long involved in national politics and part of the institutions based in the France's capital, "VGE" nevertheless gives the impression of remaining fiercely loyal to his family's long - and political - roots in the region. "I am completely local," he says. "My four grandparents are from the area. I'm appy to live there."

After an early education at the lycée Blaise-Pascal in Clermont-Ferrand, the egional capital, he moved to Paris to omplete his schooling before attending the country's most well-known and prestigious elite training centres, the école polytechnique and the école nationale d'administration.

While he has occupied many national olitical positions, including President of the Republic, founder and out-going president of the UDF centre-right political coalition, and minister of conomics and finance, he has not bandoned local politics.

He was first elected as a national deputy for the Pay-de-Dôme region of the Auvergne in 1956, became a municipal councillor for Chamalières just to the west of Clermont-Ferrand in the 1970s. and has been president of the Anvergne regional council since 1986. More recently, last year he ran a

highly-publicised campaign to oust the long-standing socialist mayor of Clermont-Ferrand, eventually losing by a tiny margin. "The town had been on the left since 1945, it has some very difficult uburbs, and has suffered from unemployment," he says to explain his

defeat. "I was rather impressed by the vote, it was a very encouraging sign of vitality.

But Mr Giscard d'Estaing prefers to linger on the history of the Auvergne, stressing its depth. He proudly cites its pre-Roman origins, Clermont-Ferrand's role as the place where the first crusade was launched in 1095, and the region's intellectual tradition, reflected in figures such as Blaise Pascal and the foundation of the anstere, intellectual Jansenist Catholic movement

"There are some regions in France which are simply a collection of departements," he says. "There are others where there is a strong identity, such as Alsace, Bourgogne, Brittany... and Anvergne."

Mr Giscard d'Estaing points out that all the French kings were born in the area, as was Georges Pompidou, the president of the French Republic whom Giscard replaced in 1974 after his sudden, unexpected death from cancer. Napoleon was a frequent visitor to Clermont-Ferrand during the 19th century.

He says the region was very poor, and bjected to substantial emigration during the second half of the last century. Many went to Paris, starting initially with shops selling coal and wood, then branching out to develop a strong grip on cales and restaurants. Today, he says that agriculture

ains one of the region s great strengths. "We have the good fortune of producing high quality, value-added products from the land," he says. He also cites the attractions of

tourism, given the region's climate. natural beauty and heritage including notable Romanesque churches and ateaux. Yet he concedes that there is a lack of facilities and insufficient modation - and a need to build a high quality infrastructure to support

Mr Giscard d'Estaing emphasises that unemployment remains lower than the national average, and that the region has a disproportionately large concentration



Giscard d'Estaing: down-to-earth contributions

of industry at the expense of services. He also admits that foreign investment "has not so far worked in a very significant way" - something that his critics hold

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against him. Others suggest that he has been less attentive to his region than be might have been during his national political career, turning his back on it and offering less help than the current president, Mr Jacques Chirac, in his nearby native Corrige, let alone Francois

Mitterrand with his grand infrastructure projects in Paris and elsewhere. Nevertheless, there are widespread local indications of Giscard's presence - including the tax inspectors' training school. Yet he prefers to emphasize his rather more down-to-earth contribution "My objective, which has marked my public life [in the Anvergne] was to oper the region to the exterior." he says. "It was a monstainous island, and economic development was not possible. I made big efforts for road and air connections,

He cites the autoroate linking Clermont-Ferrand to Lyon, and another which will pass through the region connecting Paris with Bordeaux, due for completion by 2001.

Less positive has been the development of rail links with other parts of the antry. The services remain relatively. infrequent, long and uncomfortable. They have unfortunately been delayed," he says. "In my view Clermont has not done what was necessary to attract the TGV [high-speed trains]."

He says that among the policies of which he is most proud is an emphasis on education, arguing that Clermont-Ferrand has the highest density of post-baccalaureat students in France, including two universities and five grands écoles, as well as a number of research institutes. Equally, he highlights his efforts in more junior chools, providing them with modern facilities and the latest in computer technology and fibre optics.

Yet he still has at least one large-scale personal project remaining: a museum of volcances just to the west of Clermont-Ferrand and drawing on the rich natural heritage to the west of the Auvergne. He claims to be the father of the project, and has guided it through in his role as president of the regional council, insisting that schoolchildren come up with the name of the centre in a competition. The result, announced in March, is Volcania and its centrepiece will be an artificial volcano. That, at least, should prove a tangible, unusual

chunent to the region's most notable living politician. Andrew Jack

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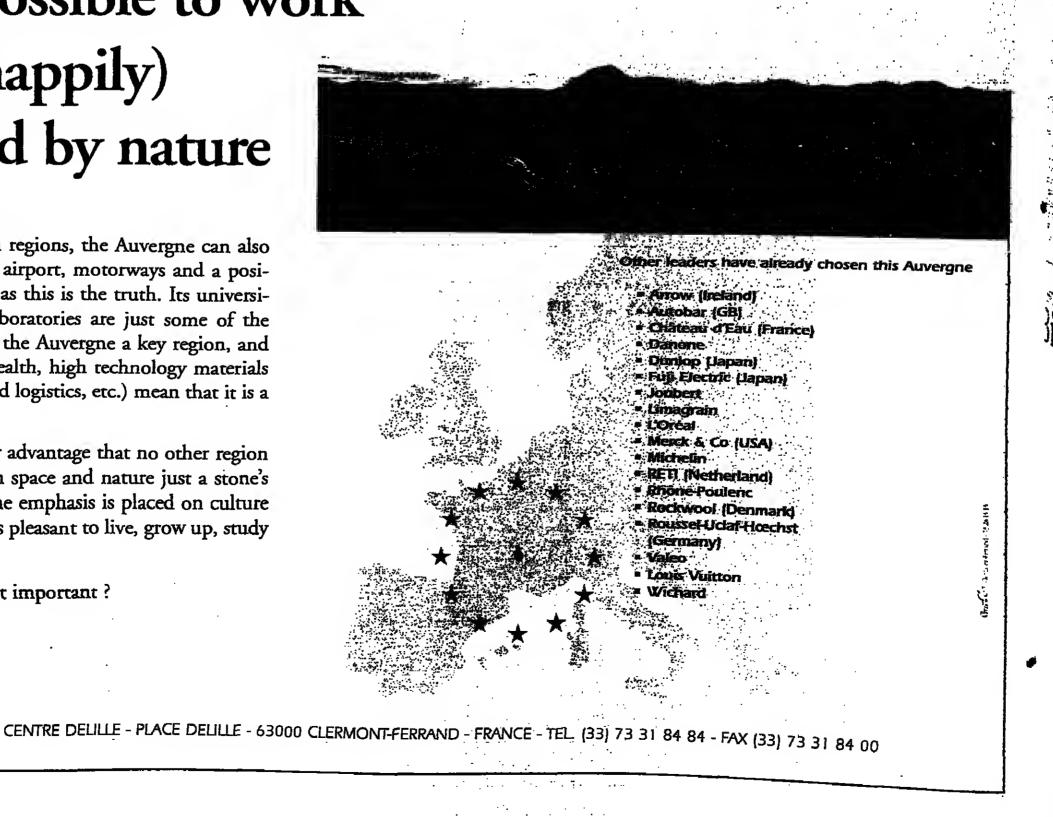
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that it is possible to work and live (happily) surrounded by nature

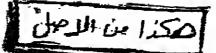
As the other major European regions, the Auvergne can also lay claim to an international airport, motorways and a position of strategic importance, as this is the truth. Its universities, colleges and research laboratories are just some of the numerous assets which make the Auvergne a key region, and its leading edge industries (health, high technology materials and engineering, transport and logistics, etc.) mean that it is a vital link in many chains.

Furthermore, there is another advantage that no other region can offer you : so much open space and nature just a stone's throw away. An area where the emphasis is placed on culture and leisure. A place where it is pleasant to live, grow up, study and work.

After all, isn't that what's most important ?







Powerful potential lies dormant

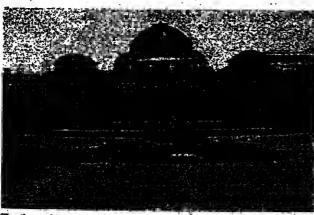
Auvergne has a network of small and medium-sized businesses as well as big industrial concerns such as Michelin, writes Andrew Jack

ike the volcanoes which dominata its western tral France looks dormant in comparison with the powerful forces that forged its past, yet with the potential for renewed. explosion in the future.

For many, the name of the region triggers up little more than the relatively bleak image of Clermont-Ferrand, the principal city which in turn stands above all for Michelin, the secretive tyre manufacturer that now holds nearly one-fifth of the world market.

Yet Auvergne contains considerable variety economically as well as geographically, encompassing the thermal town of Vichy, the steel cutlery region around Thiers and the presence of big industrial concerns such as Rhône Poulenc and Giat, as well as Limagrain, the agro-food business, and Volvic, producer of the spring water.

its network of small and medium-sized businesses in



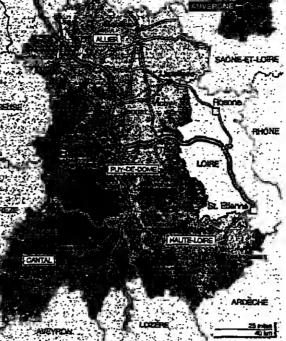
The thermal town of Vichy is within the Auvergne region - Picture Such Smith

sectors ranging from health to migration in the the 19th cencar . snb-contracting, . and tury to cities such as Paris. advanced materials to nntriwhere the arrivals turned first tion, has helped it maintain a to selling coal and wood, then rate of unemployment nearly 1 to opening bars and restau-rants, a sector in which they point below the national averstill have an important hold. Mr. Christian Mignon, a pro-fessor of geography in Clar-

It is also an attractive touristdestination, offering visitors the chance to go skilling in winmont Ferrand, says that the region - which has a modest 1.3m population for its size - is ter, trekking or wandering around churches and castles in still losing people, not only summer, and access all year round to a local gastronomy that includes five different from its more mountainous rural areas, but even from its types of appellation-controlled towns. "Some of the mountainous areas have reached the cheese However, it is the culinary point of no return," he says. "It

link which hints at one of the is too late to inject industry traditional problems of the there." One of the reasons for the region. Tough economic conditions, particularly in the rural areas, forced widespreed

lack of development has been the region's traditional isola-



tion. The steep hills encircling are beloing to create e logistics and distribution centre in much of Auvergne for long provided an obstacle to contact even with neighbouring regions - and help to explain

Nevertheless, many of the region's roads remain winding and slow, while there is little frequent comparisons drawn sign yet of regular daily rail-way connections east and west There is now a modern - and often relatively empty - anto-route which connects Clerom the regional capital, let alone a commitment for the construction of any TGV in the neighbouring region of high-speed link to Paris.

A second challenge for ond route connecting Paris to Auvergne also linked to its his-Bordeaux is scheduled for comtorical pattern of emigration is pletion by early in the next that the population is ageing fast. It is no coincidence that



France's most advanced institutes for the study of the effects of nutrition on humans. specialising in the effects on the elderly.

Although the city itself has attracted five engineering schools and hosts two universities which have substantially boosted student numbers, It faces difficulties retaining many after they have gradu-ated. That poses clear chalenges for the future.

Mr Mignon also highlights the imbalances in the region. with still nearly twice the national average of people working in the agricultural sector, below average in services, and a poorly developed urban network, with relatively

Industry: by David Buchan

Clermont-Ferrand bosts one of few atrong links between Anvergne's settlements. For a long time, there is lit-

pers on, and they don't really tle doubt that a single comwant the region to change. pany dominated Auvergne, drawing in rural and urban says that his contributions to the region include beloing to dwellers alike to help support its expansion over the past open it up with the construction of roads, as well as placing century. Michelin provided jobs, but also community, opera high importance on develop ating a model of industrial ing top quality schools. paternalism which ran to it constructing houses for its behind a new FFr400m volcaworkers, sports facilities and noes centre, due to open in 1999, which he hopes will even hospitals and schools.

REGIONS OF FRANCE: Auvergne V

But since the 1970s, all that has gone. "Michelin is no lon-ger Father Christmas," as one observer puts it. While the group is still based locally, it has halved its local workforce of 30,000, and increasingly focused on expansion interna-

attract more than 500,000 visitors a year (Tourism report, Page VI). That may not be sufficient on its own to belp boost the

tionally - including some of its

That is part of a more gen

eral trend, reflecting fears that Auvergne's companies have far less autonomy than in the past. "One of our problems is that our businesses get bought

up by companies from outside

the region, who take control away," says a local industrial-

ist. "We need more groups

see as hindering local develop-

ment has been the domination

of a few politicians for years,

none more so than Mr Valery Giscard d'Estaing, an Auverg-nat by birth who rose to

become minister of finance,

then president of France dur-

ing 1974-1981, and is the iong-standing head of the

There is a feeling that he,

like several others, is a local

personality with a national focns," says one observer. "When they go back to Auvergne, they put their slip-

Mr Giscard d'Estaing himself

He has also been the force

regional council.

employing over 100 people." Another factor which some

research facilities.

local economy, but it will at least mark an eye-catching legacy to his grip on local power.

Michelin PROFILE Message of discretion from the top

Nothing could symbolise the philosophy of Michelin better than the rating its own tourist handbook gives to the city in which it is based; just a modest two stars or "worth

a detour". Clermont-Ferrand, the capital of the Auvergne, may

powerful infinence on the

Clermont-Ferrand and the

alongside one of a cathedral

Yet there is little sign of

extravagance in the group's

headquarters, which remain

glamorous surroundings of

reception areas are austere,

the mood intense and serious.

firmly rooted in the city

rather than in the more

Paris. The offices and

on the tourist notice boards at

in the picture of a tyre

the entrance to the city.

development of

have long-standing historic importance and some notable architecture, but it gets an assessment in the green guide typical of the tyre company's rigorous, low-key spproach. Over more than a century. Michelin developed into one of France's great success stories, and exerted a

to reveal is far from easy. Its factories and research centres lie scattered across the Auvergne, but many have no signs on the outside to identify them and are tightly patrolled to keep visitors

Until 1991, the company had a policy of not communicating with iournalists and financial analysts at all. The Michelins rarely give interviews. The company executives shy away

from being quoted, and even_ elementary aspects of its internal organisation such as the names of the group's top

on: its rubber brake pads for horse carriages in the 1880s were marketed under an English name "The Simple" and by 1905 Michelin had opened an office in London A year later, it launched its first foreign factory, in Turin. It never ahied away from opportunities to raise its

profile. It offered a FFr100.000 prize for the first aviator to fly from Paris to the Puy de Dôme peak outside



Clermont-Ferrand, More

mini-industry of guides, plans and navigation information making it the higgest tourist publisher in Europe today. Michelin Launched a netition to introduce e systematic road numbering system in 1908 and, after claiming victory, it went on to manufacture the accompanying traffic signs

with Scotland.

mont-Ferrand with St Etienne

Rhons-Alpes to the east. A sec-

century, and regional planners

until 1975 - accompanied initially by its name in large letters until the government forbade the practice. In a sign of its contribution

to the broader French economy, Michelin bailed the Citroin car company out of its financial difficulties in the year, it announced the 1930s, and remains today an important shareholder in the Peugeot group. In classic Victorian paternalistic style, it also built houses, schools, hospitals, shops and refectories for its workers, and cared for them in old age. Extending north-east from the centre of Clermont-Ferrand down Avenne Edouard Michelin, its tyre-testing tracks still dominate the skyline. Such expansion could not go on for ever. After buying the Uniroyal Goodrich tyre company in 1989, Michelin dropped into heavy losses, and saw its debt levels rise substantially. Since then, it has moved into a period of consolidation, which is likely to be rewarded with a return to profits for 1995. From the early 1980s. ft balved its workforce in Clermont-Ferrand from 80,000 monthe to 15,000. Worldwide, the numbers have been out from

Automation has increased, highlighted by the development of its CSM machine, shrouded in secrecy but apparently capable of switching production between its different types of tyres - although the group stresses that it will use it to complement existing factories' production rather than as a way to cut staff numbers.

change in other ways. In a widely-hersided press release published in February this

sty and density of the region's industry.

siders consider to be "just cows and mountains", as the lady from Adimac, the regional development authority, tartly complains. Auvergne has a surprisingly long industrial tradition. It partly stems from the region's location in the centre of France, far from its borders and the threat of invasion. Before and during the two

Sumitomo of Japan, stil] for field hospitals, refrigerated employs more than 1,000 peotrucks, roofs of trucks and carple making truck tyres and avans and high-speed boats. tennis balls. The plastics industry has developed not far away in Thiers and at St. Sigolène in the Haute Loire.

Engineering skills, increased by the creation of such bodies as Clermont-Ferrand's national institute for advanced mechanics, has also encouraged manufacture of car parts by companies such as Valeo, the French market leader. The pharmaceutical industry has developed fairly autonomously with the arrival of Merck & Co of the US, Roussel-Uclaf (now owned by Hoechst of Germany), and RETI (now owned by Akzo of

Transport links could pose a problem for such a heavy dustry. "The original choice of Issoire was more for historic and strategic reasons," admits Mr Bernard Jacquelin, director of the Issoire factory. "But we now have less need to move, because the region has new means of transport with good road links to Germany, Italy, Spain and to the north." indeed, with regular flights from Clermont-Ferrand to European capitals, Pechiney's 40-strong commercial department at Issoire markets all of the factory's output.

Foreign companies employ

exerts on foreign investors are

shown by the fact that three-

quarters of foreign investment

in the region is in the form of

acquisitions of existing busi-

nesses, such as the recent take-

over by Menvier Swain, the UK

security and fire alarm equip-

ment group, of Luminox, a

local company which has

proved itself by lighting up the

Channel Tunnel.

140,000 to less than 115,000 in

the past four years alone.

There are recent signs of

A long tradition

Foreign companies employ more than a tenth of the 115,000 local

people working in industry

The fact that Anvergne's unemployment rate (10.2 per cent in December 1995) is lower than the national average (11.7 per cent) is tribute to the vari-

For a region that many out-



*

the top management dominated by technicians and engineers. The message of discretion trickles down from the top.its controlling shareholders - including François Micbelin, grandson of the founder of the modern company, and his son Edouard - drive their own cars to work rather than nsing chauffeurs. Getting information ont of Michelin that It does not went

divisional directors have traditionally never been made public_ region - a fact acknowledged

eway.

But over a long period, this cult of secrecy had apparently few III effects. Founded to 1863, the group developed into the world's largest tyre

manufacturer, with some 19 per cent of market share, a universally-recognized brand name and 69 factories in 13 countries. It pioneered the detachable

air-filled tyre for bicycles and diversified into tyres for borse carriages, cars, trains and abcraft as each new form of transport evolved. Michelin invented or swiftly

adapted to new developments in the industry: black tyres, tread, lower pressures and, even more recently. hallet-proof tyres. It patented the radial tyre just after the second world war, guaranteeing it exclusive production rights for the next 20 years. Michelin's international focus was evident from early



recently, it sponsored Formula 1 racing until it had established radial tyres as the norm, and it even supported mountain-bike rallies. Michelin promoted from carly on the use of "Bibendum", its jovial man made of tyres, as a long-romaing corporate image, changing his style and appearance to fit the spirit of the age and of its customers. From the turn of the century, it started to distribute its "red guide" to help encourage people to get on the road and use their tyres - an initiative that would become the basis for a

creation of a nine-member executive committee, revealing both their names and backgrounds and their newly-assigned roles. At the same time, it unveiled details of a broader restructuring of its organisation along geographical, product and functional lines - a plan which in characteristic fashion was organised from within rather than relying on external consultants. Even so, the objectives sound familiar: closer integration of its activities in an effort to place ever greater priority on clients, staff and shareholders. Meenwhile, Michelin is continuing to eye new markets such as Asia and Africa, and to develop narmerships including ones in Poland and China announced in the past few Andrew Jack

defence and strategic industries to set np in the Auvergne. The big Pechiney plant at Issoire switched from aluminium sheet for the car industry to aircraft fuselages and wings during the second world war for this reason, and today the region is home to several companies active in defence hightech, such as Sagem, while the French air force flies military aircraft into Clermont-Ferrand

world wars, the government

encouragad a number of

airport for servicing. The presence of the region'a one giant, Michelin, also seems to have attracted other compasavings books and passports. nies in the same strategic sector of rubber, as in Montluçon, Pechiney-Rhenaln at Issoire, a town in the Allier with a where 1,500 people make flat long engineering industry rolled foil, coil and extrusion based on coal and iron ore. products. Its products have gone into Caravelles, Conwhere Dunlop, now owned by

animal feed, putting it third in

the Netherlands). But the presence of a powerful agricultural more than e tenth of the 115,000 Auvergnats working in sector has produced offshoots industry. But the limits on the into bio-medicine by companies such as Limagrain. attraction that Auvergne

in a more traditional vein, hides and trees provide the raw material in the Allier for Louis Vuitton's fancy suitcases and Bally shoes, while Berrywood, a Belgian company, is setting up parquet flooring manufacture to take advantage of oak from the Foret de Tronçais. The Montlucon wood auctions every October set the benchmark price for oak in

New greenfield projects are The Bank of France's Clerrelatively rare, although some mont-Ferrand printing works are very successful such as employs 1,900 people and is the that of Rockwool, which set up region's second-biggest employer behind Michelin. Spea decade ago to incorporate the indigenous volcanic rock into cial printing in the region also insulation materials. It now has a quarter of the French extends to Oberthur Which makes lottery tickets, bank market in this sector.

One of the biggest takeovers was that of the local Chibret Another big employer is pharmaceutical company by Merck & Co, the US drugs giant, to form MSD-Chibret with plants at Le Puv in the Haute Loire making chemicals, cordes, and now Airbus. About another in Clermont-Ferrand 25 per cent of the volume making sterile products and its (amounting to 30 per cent of main operation at Riom makthe value) of total ontput goes ing tablets. to the aircraft industry, and it

"In order to do the FFr4bn worth of business we do each year in France. we need a Frencb plant," explains Mr Jacques Fauve, Merck'a local director who employs a total of 1.180 people in the region.

Pechiney-Rhenalu at Issoire also makes aluminium for moulding plastics, for LNG carriers for Finland and Japan which uses aluminium reservoirs to carry gas, for road tankers, fire trucks, shelters

is from Issoire that British

Aerospace at Chester gets

much of the metal that it uses

to make Airbus wings.

"Merck has just decided to invest a further FFr140m here. which is a mark of its confidence in the operation," be savs.



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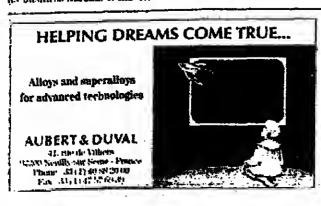
Agriculture: by David Buchan **Billion-dollar co-operative** This return gives Lima-

Auvergne's agriculture and food processing sectors generate nearly 5 per cent of gross regional product

sidiaries in every European Union country and the US, Out of the dark volcanic earth of the Limagne plain east and Canada, Chile, Japan and Ausnorth of Clermont-Fertralia. rand - probably the richest soil Limagrain's raison d'être in France - has sprouted Limaremains service to its 500 farmgrain, a billion-dollar agriculer-shareholders who are rather jural co-operative.

choosy about letting new mem-Net up in 1942 to pool scarce bers in: bizarrely for a modern wartime seeds among its multinational, entry into the maize-growing shareholders, co-operative still mainly Lumagrain has since expanded depends on the shareholder's its seed business into flowers ability to show him or herself a and vegetables and branched reliable grower of good maize out into the food processing seed. The co-operative gives its and bhomedical industries. It members a market for their predicts sales of some FFr5.3bn seed, as well as a return on this year, with more than half its business abroad. It has subtheir investment.

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grain's members a eteady source of income that most other French farmers do not have, but not a princely one.

Expansion in eceds, with such UK acquisitions as Suttons and Nickerson, and diveraffication into agro-industry with last year's purchase of Jacquet, a leader in the fastgrowing French market of prepacked bread, and into biomedicine which the co-operative cutely calls "molecular pharming", has run ahead of profitability. Last year's turnover of FFr4.3bn (before the Jacquet purchase) produced profits of only FFr45m. "So we will probably concentrate on consolidating our business for a while," says Mr Renaud de Tastes, Limagrain's communications director.

A couple of ciouds hang over Limagrain's business. The French government'a attempted crackdown on public health spending could mean that some of Limagrain's cus-tomors might be denied state reimbursement of some of what they spend on the co-operative's homeopathic medicines. Farm acreage reductions, stemming from reform of the Common Agricultural Policy (of the EC), and the General Agreement on Tariffs and

Trade, have also affected both the co-operative's shareholders and its clients. "So we are trying to get bet-

ter output from our traditional seeds and to develop those for industrial use such as rapeseed for the rubber and paint sectors," says Mr de Tastes.

But beyond the Limagrain 500, there are another 55,000 neonle employed in Anvergne's agriculture and food process ing sectors, an industry that generates nearly 5 per cent of gross regional product. About one fifth of this comes from grown on tha high volcanic plateaux of Velay, to tobacco.

Most of the tobacco grown in the area is of the unfashionable dark variety, but Seita, the newly privatised tobacco company, has a large modern

manufacturing plant et Riom which, fortunately for local employment, makes the betterselling blond cigarettes. Wine, If it can be called a crop, is also making a comeback in the region

Predominantly, however, the region's produce is based on its mimals, chiefly on its large cattle heros of white Charolais and of the Salers, Aubrac and Limonsin breeds, but also sheep, pork and poultry. Some

dry pork aausage, is cured the world behind Hoffman La using artisans' methods, but the need for more industrial Roche of Switzerland and processing has attracted the attention of foreign investors, such as Queally of Ireland which is establishing a new slaughterhouse in the Allier department with the creation of 160 new jobs.

of the meat, such as hams and

The region's biggest speciality is its five appellation d'or-igine contrôlé cheeses (out of a total of 32 AOC cheeses in the whole of France). They are Cantal (from the Cantal depart-

> Despite Gatt reforms, world demand for animal vitamins is rising

ment), Bleu d'Auvergne, Fourme d'Ambert (France's answer to English Stilton), St Nectaire and Salers (the latter has the distinction of being purely a farmhouse-made cheese).

But such is the variety of the region's agro-industry that, at the other extreme to the Salers cheese-makers, is Rhône-Poulenc's animal feed operation at Commentry, near Montluçon in Allier. This factory is the French chemical company's sole producer of vitamins for

BASF of Germany. The plant was started 50 years ago to make feed supplements out of cod liver oil. Today, the 850 people wbo work at Rhone-Poulenc's Commentry now make vitamins A and E synthetically.

Mr Roland Goetz, the factory director, acknowledges that if he was making a high-volome product. Commentry might not be the ideal location for products, because 40 per cent of inputs are imported and 80 per cent of output is exported. But his products are low-volume (a few grams go into a tonne of feed) and high-value; the 4,000-5.000 tonnes of vitamins which Commentry produces each year are worth FFr3bn, making the Rhone-Ponlenc fectory Auvergne'a second-biggest exporter behind Michelin.

Despite European and Gatt reforms in farm trade, world demand for animal vitamins is rising on average at 5 per cent a year, reports Mr Goetz. His company alreedy has animal feed operations in the US, Spain, Brazil and ambitions to expand in Russia and China. But the products are first tried out locally at Rhooe-Poulenc's experimental farm at Commeo try. "I am the only Rhone-Poulenc director responsible for 60 cowa and assorted pigs and poultry," says Mr Goetz.

crops, ranging from cereals and the Le Puy green lentils

IV REGIONS OF FRANCE: Rhône-Alpes

New technology: by David Buchan

ynergy is the key word

The multiplicity of electronics and computers in the region has made it a natural location for research into 'open systems'

IV

Synergy - a combination that produces something greater than its component parts - can be a pretty empty concept until yon see it in action, in a place such as Grenoble. For in this mountain-locked city there is plenty of positive interaction in its high-tech world of microelectronics.

First, there is the mix of the historic disciplines of mathematics and physics in Grenoble's universities with the region's early speciality in electricity, generated with the water tumbling off the hills – a combination rewarded by postwar French government decislons to locate much of the nuclear research effort around the city.

Pre-eminent among the city's international research centres is the doughnut-shaped European Synchrotron Radiation Facility, and among Freuch

national research centres is the Atomic Energy Commission (CEA) employing 2,600 people and the smaller Inria information technology and antomation institute. Then there is the evident

attraction that all this public research has evidently exerted on private companies, drawing in 15.000 private-sector jobs in

electronics, computer software and hardware. Finally, there is the pulling power that private companies exert on each other. Many of the 140 foreign companies in Grenoble are electronic not yet in adequate supply specialists, and many of them are American, such es recent arrivals Sun Micro Systems and SCI Systems.

SCI Systems was drawn in by the fact that it is a large subcontractor of Hewlett-Packard, a long-time resident of the Grenoble region. The multiplicity of electronics and computers in the region has made it a natural location for research into "open systems", the interconnectability of rival compnter systems. This is what Bull, the French computer

group, specialises in at Grenoble. At the heart of much of this synergistic activity is SGS-Thomson, itself the result of

and SGS Microelettronica of Italy. SGS-Thomson, called by its employees simply 'ST' for short, is, after the Schneider electrical group and Rhône Poulenc chemicals, the third-

largest employer in the Grenoble region. In the city itself, ST is still making chips on a relatively old site which would have been closed a couple of years ago if it were not for rapidly growing demand for products that are

from other, newer facilities. And even when it is shorn of ST also has a separate joint research effort with **CNET**

> manufacturing, the Grenoble site will still remain the management beadquarters for video, telecoms, image process-ing, and programmable products, employing nearly 1,000

> About the same number now

work at ST's newer plant at the 1987 merger of Thomson Semiconducteurs of France Crolles to the north of the city. Some 750 are ST employees, and among the rest there are permanent teams from CNET, the research laboratory of France Telecom, and from Philips, the Dutch electronics group with which ST works permanently on process technology.

Its operations manager is Mr Mike Thompson, 39, a Scot recruited from Inmos which ST bought in 1989. Under Mr Thompson, the new Crolles plant - which cost about \$110m to build and which houses a further \$600m of equipment - is now turning out chips worth some \$1bn a year for computer, telecoms and multimedia use.

"At Crolles, we introduce on average one new prototype every day," says Mr Joel Monnier, ST's corporate vice-presi dent for research. Using what he calls "concurrent engineering", Mr Monnier says, "we have to develop three or four generations at any one step" in a constant drive to get smaller, more advanced chips - "but at a cost affordable by the consumer".

In meeting this challenge, ST gets some local belp from the



ST's plant at Crolles, north of Grenoble, cost about \$110m to build and houses a further \$600m of equipment

active, as Mr Joel Hartmann Grenoble Submicron Silicon Initiative dubbed Gressl in one of its microelectronics experts explains, in advanced clear imitation of the wider research. ST is striving to Joint European Submicron Silicon Initiative (Jessi) in which make its silicon wafers, at present about 0.5 of a micron. ST, like Philips and Stemens, is as hair-thin as 0.18 of a micron, a leading participant. Gressi is and if it does, its success will a local joint venture, dating from 1991, between France Telecom's CNET research cenbe largely down to Leti's efforts. Further downstream, ST also has a separate joint tre, and the Atomic Energy Commission's Leti (Laboratoire arch effort with CNET into d'Electronique et de Technolochips for telecoms, although gie de l'Informatique) laborawhen it comes to manufacturing ST is on its own.

But Grenoble provides ST The latter has now gone far with another striking form of beyond its original nuclear-related brief and is now very synergy, this time on the semi-

Mr Guy Lauvergeon, head of ST's image processing. He admits "this cannot last, because others are coming into the market". But for the present, it has had the effect of making ST and Thomson Multimedia each other's biggest customer.

The Thomson group is scheduled for privatisation this year. But ST does not seem to be in the least tempted to bid. ST clawed its way into a profit of \$526.5m last year, but has its own enormously expensive expansion to fund, and there is the added complication that Thomson owns 17 per cent of

Besides, as Mr Philippe Geyres, ST's vice-president for programmable products, points out: "One of our strengths is that we do not compete with our customers", unlike the Japanese chipmakers and Motorola, Siamens and Philips which are also chip-users.

This concentration in chipmaking "could be a weakness if we were to become cut off from systems know-how". Mr Geyres admits.

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has become the industry stan-But, in fact, ST works extensively on systems through its extensive alliances with receive digital satallite TV Alcatel, Northern Telecom, Marelli of Italy, Seagate and that international media Western Digital of the US, groups are forming in digital satellite broadcasting, business while in manufacturing it made alliances, first with Siemens and most recently with is booming. "Our MPEG has 90 Samsung of Korea.

Grenoble's water supply: by David Buchan Face-saving deal bucks the trend

Removal of the special water 'tax' will allow the price of water to be reduced from FFr13.60 per cubic metre to FFr12

Something unique has happened in Grenoble. The city bas just renegotiated its water contract with Lyonnaise des Eaux to put majority control of the service back in municipal hands.

This goes against the trend of recent years that has led an ever-increasing number of French cities to contract their water services out to France's private water utilities, such as the Lyonnaise, Generale des Eaux, and smaller subsidiaries of Bouygues and St Gobain.

The result is that 80 per cent of the French population now drink water cleansed and distributed by private companies, in sharp contrast to other services such as electricity and gas which remain solidly in

local Cour des Comptes that Mr Carignon acted improperty in getting the Lyonnaise to add an extra FFr15m to the water rates, which was unrelated to water services and which went straight into the city budget. Mr Gerard Payen, head of Lyonnaise's water division, admits "there was no real justification for this 'tax' on water",

The upshot is that Lyonnaise and Mr Michel Destot, the new socialist mayor, have come to a new arrangement. The city is to take 51 per

cent of a new joint company (leaving Lyonnaise with 49 per cent) which will supervise the water concession that Lyonnaise will manage through a newly-created subsidiary. Removal of the special water "tax" will allow the price of water to be reduced from

FFr13.60 per cubic metre to FFr12. Finally, a watchdog committee of water-users has been set

up to supervise the remaining 19 years of Lyonnaise's 25-year water concession.



The deal seems to be one of years, 60 per cent of the divi- to recoup much on its past nuclear engineer. he eventudends on profits will still investment. However, he does ally branched out of public the company. not think Lyonnaise will mind. research to head a small pri-Grenoble's FFr50m-a-year Equally, with an eye to plavate company specialising in cating ecologists on the city council who feel be has been simulators for operators to practise controlling nuclear water business is "a drop in the ocean for la Lyonnaise", he too soft on the Lyonnaise, Mr power plants and TGV trains. Destot says that Lyonnaise Will this case turn the tide in He says he is conscious of the France and lead more cities to may be getting 80 per cect of need to get more companies to zero. The future price of Grentake back direct responsibility establish themselves in the oble's water has been indexed for their water? Probably not. city. His margin of manoeuvre on inflation and to compensate Sunply because most French is narrow. "The city's debt is Lyonnaise for any shortfall in clties do not have the high, but we can't raise taxes resources available to the priwater consumption. But the because they, too, are high". mayor insists it will almost vate utilities to meet the ever-So Mr Destot has other ideas growing challenges posed by tighter national and European in mind to attract investment. certainly not allow Lyonnaise In particular, he wants to see regulations on clean water. the TGV line extended from This was one reason why Grenoble's water was priva-Lyon's Satolas airport to Grenoble, so that his city will be only half an honr by tised, says Mr Payen. The city DROME : high-speed rail from a big air-port. "The third French airport needed Lyonnaise's investments to put an end to its own practice, prior to 1989, of dumpshould not be around Paris, TIME IS WHAT YOU MAKE OF IT ing some of its sewage and but at Lyon, serving Grenoble", says Mr Destot, adding waste water untreated straight that he has the support of Mr into the Isère river. Equally, however, the next Raymond Barre, the mayor of few years are likely to see a halt to further water "privati-Lyon, on this issue. The Grenoble mayor sees The Drôme - an area of great sations" and the introduction wider benefit in a closer relanatural beauty and mild climate, of water-users committees, tionship with Lyon, to marry which Lyonnaise claims to welthat city's industrial and finanstrategically located between cial muscle with Grenoble's Meanwhile, Mr Destot, a scientific and high-tech facilithe Rhone, Switzerland and the youthful-looking 50-year-old, is ties. With the children of Gren-Mediterranean. Where time is keen to refurbish Grenoble's oble's foreign microelectronics image abroad because foreign specialists in mind, Mr Destot there to be savoured. investment has always been also wants to see an internaimportant to the city. A former tional lycèe in Grenoble.

PROFILE Focus on high-tech

conductor design side, in the

form of a joint venture with

the local part of Thomson Mul-

timedia, the consumer elec-

tronics part of the Thomson

group. Together, the two have

developed the MPEG, which

dard and whose immediate use

is in digital set-up boxes to

With all the new alliances

per cent of the market," says

broadcasts

Valence, the capital of the Drôme department, always has plenty of people passing through. It lies on the north-south A7 highway,

Europe's busiest, and is the starting point for the A49 for Grenoble, Switzerland and Italy and points further east and south.

Apart from its need for a second bridge over the Rhone and into the Ardeche department, Valence's transport links can almost be described as too good. They reinforce the city's image as a point de passage, a place on the way to somewhere else. . . and new links sometimes have perverse effects. The arrival, for example, of the TGV which puts Valence only 2% bours from Paris has also led to the end of the So Valence is mounting a

scheduled air service to Paris. big effort to pin down some of se passers-by and get them to sink roots and investment into the city and the wrrounding region -

Thomson and Aérospatiale to put seven relatively small

years ago. Last year. Sextant's sales were FFr4.8bn, most of it in avionics but about 20 per cent in antomation system due to the fact that one of the seven companies that made up Sextant was Crouzet, based in Valence, with an automation division. Sextant has 950 employees in Valence, accounting for nearly one-sixth of its total workforce. Apart from being responsible for belicouter and space activities. Sextant at alence also specialises in navigation and sensor

Bombardier of Canada chose Sextant over US alternatives equipment for the rest of the group. Thus, Sextant is refitting the Franco-German Transall with navigation equipment, and providing the central navigation system for the Franco-German Tiger helicopter and for the Ariane 4 and 5 space rockets, while providing global positioning systems for Alitalia. Mr Jean-Loic Galle, the head of Sextant at Valence says that in sensor equipment at least, his company and tha local anthorities are mounting a big effort to get. more local laboratories, universities and suppliers involved, Laboratories in nearby Grenoble know a great deal about the use of quartz and silicon in micro-sensors. The seven companies out of which Sextant was formed were "totally tied to the French aerospace and aircraft ompanies like Aérospatia and Dassault", says Mr Galle. But today nearly 50 per cent of its production is exported. roviding competition to the two big US avionics panies, Honeywell and

Airbus aircraft or Eurocopter halicopters, but Mr Galle says that by 1998 "most of our exports will be direct to

foreign customers". Among these "direct" foreign customers are Bombardier of Canada, which chose Sextant over US alternatives to be the prime contractor for the complete avionics system on its Dash-8 (Series 400) regional aircraft. "This is the first time we have supplied a complete package," says Mr Galle. Patting new evionics into Soviet-era aircraft is also proving a fruitful market. Sextant is retrofitting avionics into India's MIG-21 aircraft and even into Russia's MiG-AT trainer jet. Any foreign business is

welcome, to offset the defence equipment squeeze at home, ordered by President Chirac partly to help meet the higher pay costs of recruiting volunteers for his future all-professional army. Already, one prog - the Future Large Aircraft military transport - has been cut out of the French defence budget, unless the industrialists such as Sextant can propose ways of making it much more cheaply. Sextant is also beavily involved in the Rafale fighter and the Tiger and NH-90 belicopter programmes, bnt so far these have been spared from the government axe. The forthcoming privatisation of its majority shareholder. Thomson, casts a note of doubt on Sextant's future. Two years ago, Sextant and the avionics division of Allied Signal of the US tried to pool their inesses into a mammoth joint venture. They failed, because in the end each side wanted some sort of control over the other. It is possible such a project might be revived, although the increasingly flerce nature of transatlantic defence compctition is now even less propitious to such a Franco-American venture. Perhaps more likely is a bit of cross-border restructuring within European avionics. If discussions of an alliance between Thomson and GEC of the UK were to be revived during or after the former's privatisation, then GBC avionic display speciality might fit ulcely into Sextant's wider avionic busine

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electronics companies which they owned into a joint company. At the outset it was split equally between the two parents, but in recognition of its greater affinity with the nature of Sextant's business. Thomson raised its stake in Sextant to two-thirds two

state hands

The facts surrounding Grenoble's move are also unusual. Mr Alain Carignon, the former Gaullist mayor who gave Lyonnaise the water concession in 1989, has been found guilty of corruption and taking kickbacks, although he is still appealing against his threeyear prison sentence.

While maintaining that it did nothing wrong to get the 1989 concession, the Lyonnaise has accepted the complaint of the

those ideal face-saving arrange ments in which each side can claim to its own constituency that it got the better of the other side in the negotiation. Lyonnaise ls clearly delighted to have ended the Grenoble controversy that threatened to blight its fastgrowing water business abroad. With an eye on his shareholders. Mr Payen notes that in recognition of Lyonnaise's investment in the Grenoble contract over the past six

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by the following fine hotels in the

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Hotel Cours des Loges

Hotel d'Angleterre

Hotel President

Holiday inn Crowne Plaza

dence Hotelière Parthe

Lyon:

thus help reduce the 14 per cent upemployment rate. The city has an industrial tradition, based in tha past on jewellery-making but now more on precision engineering, electronics

telecoms and paramedical equipment. It is this sort of clean high technology which Valence Major, the economic promotion agency for the reater Valence area of 120.000 people, bopes will come to its new science business park at Lautagne, a 120-hectare platean on the city's southern rim.

Valence is also trying to develop Itself as a helicopter technology centre. This is certainly challenging, given the poor state of both tha civil and military helicopter market, but not completely surprising.

The city is home to a French air force belicopter test unit and is only 100km from Eurocopter's main assembly plant at Marignane Sextant Avionique, the leading French and European avionics company, has its "helivionics" division as well as many other activities based at Valence, Valence will bost the

"Heli-Prospective 96" conference on May 21-22. Sextant is one of the rare examples of restructuring to have preceded the reforms now under way in the French defence industry. It is the result of the 1989 decision by

David Buchan

INVEST FOR YOUR ENTERPRISE

Rockwell Collins

Most of Sextant's exports

are still in tha form of

equipment embedded in

The Compagnie Nationale du Rhône and its industrial and port development division announces work in progress of a multi-function logistical plateform at Pagny - Saône Valley - , in Burgundy, with an area of about 150 hectares.



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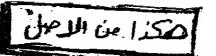
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FINANCIAL TIMES SURVEY

Thursday April 18 1996

WORLD WATCH AND CLOCK INDUSTRY

Fewer makers, more sales

Michael Balfour surveys the global wristwatch manufacturing industry, as the World Watch. Clock and Jewellerv Show opens in **Basel** today

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American social philosopher Lewis Mumford wrote: "The watch, almost more than the steam engine, was the real protagonist of the Industrial Revolution." Certainly, time is today of such importance to our lives that most who can afford to possess a wristwatch do so - 1,100m

were sold last year around the world - and many people have more than one.

The practice of wearing wristwatches dates back only to the first world war when they were introduced for synchronisation in the trenches. They never left the wrist again. Before then the habit was considered foppish, and the writer Oscar Wilde did litthe to further the appeal of the early "wristlet" watches by strapping a pocket watch over his velvet cuff.

After the war manufacturers on both sides of the Atlantic combined the mass production techniques introduced during the war years with the creative virtues of the Art Deco style. Thus the wristwatch became both beautiful and useful and. as such, came to be seen as an acceptable jewellery item for men to wear.

Since then, the trade has contracted dramatically in terms of numbers of manufacturers, while unit output has continued to rise. Today there are no volume manufacturers in either the US or the UK. But large numbers of timepieces are still produced in Russia. and India. China, Hong Koug, Japan and Taiwan all make watches in vast numbers, almost all powered by quartz y movements. Many of thesa countries are also the source of counterfeit products, a global problem that internationally ratified policies are attempting

Expansion is setting the tone at Basel '96, this year's World

Rolex, will no doubt be include watches, and Hong addressing bimself in the Kong is the main conduit for months to come to that perennial problem for all top trade exhibition organisers: how to control the numbers and quality of exhibitors. Mr Duchne succeeds Mr Raymond Weil, from the company that takes his name. Participating in this year's

show are 2,271 exhibitors (watches and clocks 595; jewellery 1,324; related industries 352). Of these, 22 per cent of exhibitors are from Germany, 20 per cent from Italy, 18.5 per cent from Switzerland, 11 per cent from Hong Kong, 8 per cent from France. and 3.5 per cent from the Iberian peninsula. This year Australia, China and Mauritius are exhibiting for the first time. While the pattern of trade for 1995 remains largely

unchanged from recent years, Switzerland - for centuries the traditional leader in watch-

The value of Swiss watch

exports fell in 1995

making - has watched its mar-gins coming under increasing. pressure in its export markets, because of the strength of the Swiss franc.

After 10 consecutive years of improvement, the value of Swiss watch exports, which account for 8 per cent by value of all Swiss goods sold abroad, fell by 3.6 per cent in 1995. Similar pressures affecting

other industries are one reason for a Swiss government forecast that the economy would grow by only 1.25 per cent in 1996, a figure already thought to be optimistic. Nevertheless, according to

estimates by the Japan Clock and Wetch Association, for the first time in 20 years Switzerland overtook Japan in 1995 as a watch producer, with 38m complete units against 30m. But leadership in the bighly automated manufacture of movements easily stays with Japan, with 411m against Switzerland's output of 97m.

The dominant centre for

their entry into China's vast markets. Last year some 120,000 wristwatches were sold there daily. Small wonder that China is exhibiting at Basel for the first time this year.

The "quartz revolution". engineered by Japan in the early 1970s, has meant that a watch can be bought for £1 which is as accurate as a model costing £10,000. Nevertheless, as watchmak-ers know full well, most people

perceive that they are judged by what they wear on their wrists. "The average selling price of watches has risen quite dramatically," says Mr Ian Dabl, the newly appointed group chief executive of the Asprey Group.

"People are clearly purchas-ing watches both as an item of jewellery and as an investment from a collector's point of view. Specialist brands such as Ebel, Jaeger-LeCoultre, Patek Philippe and Chopard are all doing particularly well. We also have good success with Rolex," Mr Dahl says.

"The industry in general is set to remain buoyant. There is a developing interest by the consumer in quality watches and there is a surge of demand for high-quality Swiss mechan-ical movements," he adds. "We are selling the 'Swiss

Made' label as a clear indication of quality and this appeal certainly impresses the customer who is looking for reliability, discreet fashion and not purely an innovative watch," says Mr Stuart Laing, managing director of Laing the Jeweller, with outlets in Glasgow and Edinburgh. The company acquired Parkhouse & Wyatt in Sonthampton last year and Mr Laing is also chairman of the Houlden Group, independent quality jewellers which, like independent hoteliers, have come together for joint buying, marketing and training services. Mr Laing says that the sports watch is still favoured

by the younger buyers. "We see Adidas and Ellesse filling prica points as TAG Hener jumps up the price league." He also reports that the all-

steel product is enjoying grow-ing popularity. This year in Basel, both polished and brushed stainless steel prodcier and Canard-Duchene, so the quoted Vendoms Group bas watch brands as diverse as Alfred Dunbill, Baume & Mercier, Cartier and Piaget.

This diversity was demoustrated at its recent annual Salon International de la Hante Horlogerie in Geneva. Prominent features of the event were Alfred Dunhill's new versions of its successful Millennium chronograph, now in a combination of brushed and polished stainless steel, and the Londinium Collection, to which a polished stainless steel version

has been added. Michael Balfour researched and wrote all the articles in this survey. He is contributing editor of International WristWatch, and author of The Wristwatch Almanac (Eric Dobby Publish-ing Ltd., 12 Warnford Road, Orpington, Kent BR6 6LW;

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Basel skyline: the Basel '96 show, which opens today, is a key date in the international watch and clock industry's year



The country's manufacturers are guarding their







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Continued on page 3

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Huguenots were forced into the Jura mountains, in and

around La Chaux-de-Fonds.

Geneva became a kind of of Protestant Rome where crafts-

men forbidden to make jewelbery turned their skills to the Fabrique - watchmaking.

During the course of the last half of the 17th century, the old practice of making one

watch in a single workshop

The 18 caral gold movement encased in pure white sapphire. Crafted and engraved entirely by hand.

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watch in a single workshop slowly died. In came individ-ual casemakers, spring mak-ers, key cutters, lapidaries, glass makers, balance cock decorators and, by 1679, mak-ers of complete 'ebouches (raw watch movements, ready for specialist refluements). By 1786 Geneva was producing about 50.000 pocket watches a year. More than a quarter of the city's 16,000 inhabitants

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2 WORLD WATCH AND CLOCK INDUSTRY

Watch groups

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Strong brands dominate Debutantes out in force

A network of shareholdings and business links connects the great watchmakers

Some of the world's most famous and oldest watch brands are still owned by private companies. They include Audemars Piguet, Chopard, Corum. Girard-Perregaux. Patek Philippe, Raymond Weil. Ulysee Nardin, Vacheron Constantin and Zenith. The mighty Rolex enterprise, the biggest maker of them all, is still controlled by family trusts.

Eterna, which established its brand of pocket watches in 1876 but was founded in Grenchen in 1856, has just heen acquired by Porsche. Eterna set up a production line in 1870 to turn oot ebauches (incomplete movements ready for additions of escapements. mainsprings and timing systems). Later the facility became ETA, and is now one of the largest movement makers in the world, and is owned by Société Suisse de Microélectronique et d'Horlogèrie SA (SMH). SMH now controls the

world's biggest group of watch brands, and such is the strength of the individual brands it can come as a surprise to find that they belong to the same owner. They include: · Blancpain, a manufacturer

of classic, mechanical wristwatches founded in 1735; Certina, whose name. adopted in 1948, is derived from the Latin for "reliable"; · Endura, which manufactures private label pieces;

• the children's brand Flik Flak: · Hamilton, the maker of the world's first electric wristwatch. Established in Pennsylvania in 1892 it is being relaunched this month with a stress on its American origins;

 Longines, the oldest Swiss watch brand registered with the World Intellectual Property Organisation. SMH's other brands are Mido, Omega, Pierre Balmain,

Rado and Tissot. The company's high-profile chairman, Mr Nicolas Hayek, inspired the creation of its big-

response to the flood of inexpensive Japanese quartz watches which entered the world's markets in the 1970s. More than 180m Swatches have now been sold, and some of the earliest have become collectors' pieces. On sale in more than 70 countries around the world. Swatch will achieve global attention this summer as the official timekeeper at the Olympic Games in Atlanta. Swatch buyers are attracted by

the cachet of constantly updating their timepiece, and by the hrand's youthful image. The ETA division is the development centre for all new Swatch products. It has produced the Swatch Scuba, which features the new Loomi electroluminescent glow dial. and musical rhythms for the



s Hayek: he pion

microtechnical production complex. It has factories in 12 Swiss locations, three in France, and one each in Germany, Malaysia and Thailand, For low-priced quartz movements. Hong Kong is the world's largest commercial centre, hnt ETA is maintaining its market share through its offices in the colony, where it faces strong local competition and fierce price cutting.

SMH also owns the long-established mechanical movement manufacturer, Frédéric Piguet, which supplies many of the most prestigious watch brands. It has produced the world's smallest automatic movement and is constantly extending its power reserve durations - a key selling point gest selling line, the Swatch, in

in automatics. Drawing on its capabilities in the electronics and miniature propulsion systems fields Swatch has formed a joint venture with car maker Mercedes-Benz to produce what it refers to as the Micro Compact Car some time next year. The vehicle has already been dubbed the Swatchmobile and is intended to convey the Swatch message - high quality, low price, joie de vivre. challenge, original design, and constant innovation.

Les Manufactures Horiogères (LMH), another big watch business, is a subsidiary of the German conglomerate Mannesmann. This company owns International Watch Company of Schaffhausen (IWC), which is known for its Da Vinci and MusiCall watches. ETA · SA pilots' timepieces, the long-established A. Lange & Sohne of Glashfitte, and a big holding in Jaeger-LeCoultre,, the Swiss

watch and movement maker. The powerful Hattori family in Japan owns brands such as Jean Lassale, Lorus, Pulsar. Seiko and Yema Paris. More than 10,000 Gulf-based investors own a 45.6 per cent stake in Investorro SA, a big investor in the world of clocks, watches and jewellery. It was founded in 1982 and is quoted on the Bahrain Stock

Exchange. At the end of 1995 19.1 per cent of Investcorp's assets were in luxury merchandise, Previously it had acquired Tiffany, brought it back to health and successfully refloated it.

In 1993 Investcorp bought 100 per cent of the Gucci Group. Following reflotation in October 1995 the shares started trading at US\$22 each; hy the end of the year the market price had increased by 77.8 per cent. Investcorp and its clients now own 52 per cent of the equity.

The investment company also owns Breguet SA, one of the greatest of all watch names, as well as Société Nouvelle Chaumet and Ebel. In due course all of these companies will be floated. Ownership changes are also

taking place in distribution and retailing. Control of the UK retailer Asprey changed hands in November of last year, when Prince Jefri Bolkiah, a younger brother of the Sultan of Brunel, bought a 90

per cent stake for £243.5m. He now monopolises the top end of the UK watch and clock retail market, as Asprey in turn owns the crown jeweller Garrard, Mappin and Webb. Hamilton and Inches, and 26 branches of Watches of Switzerland. The group says lt plans to continue to develop the Watches of Switzerland stores as quality watch distributors in the UK, and may open in some selected overseas locations.

Girard-Perregaux (GP) is behind the highly successful Ferrari watches, which come complete with the famous Ferrari prancing horse emblem on their dials. GP's watches are distributed by Time Products (UK), which, under Mr Marcus Margulies, its chairman and a hig shareholder, has built one of the leading portfolios of brand distributorships in the world. Watchmakers handled hy Time Products include Audemars Piguet, Blancpain, Breguet, GP, Plaget and Vach-

eron Constantin: Time Products also represents two recently-established makers - Alain Silberstein and Franck Muller - and, lower down in the market place, Russia's Sekonda brand and Apollo Watch Products, a strap manufacturer.

in March last year, Mr Margulies negotiated the purchase of 77.8 per cant of Audemars Piguet (Suisse) SA in what is regarded as a smart move in supply control, and, given his deep reserves, one that might well not be his last.

The sixth Salon International de la Haute Horlogérie opened five days ago, on April 13 in the Palerpo exhibition centre in Geneva. This is designed as an exclusive showcase for watchmakers in the Vendome luxury goods group, which chooses not to exhibit at the annual World Watch, Clock and Jewellery Show opening today in Basel. The watchmakers involved are Alfred Dunhill, Baume and Mercier, Carher and Pisget.

Exhibition space in Palexpo has been greatly increased this year, with elegant new designs for the hooths and meeting rooms. A big feature of the event was the new Francaise from Cartier.

manufacturers with an international venue at which to

unveil new models The Basel '96 trade show is a key event in the watch and clock industry's year. Behind closed doors, and generally by appointment only, many of the world's leading manufacturers will show their new products The long-established maker to their agents and key buyers. This, along with the opportunity to exhibit to a wider public, is why, starting

today, Switzerland's oldest university town for eight days becomes the world capital of the watch and clock trade. A watch fair was first held in Basel in 1980. This year 595 companies and organisations involved in the watchmaking industry are exhibiting.

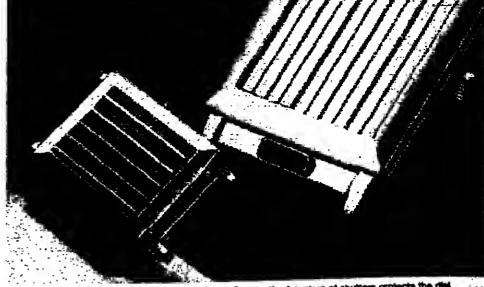
Mr Neil Duckworth, founder and managing director of Duval, exclusive distributor of TAG Bever watches in the UK, comments: "Basel is the most important watch fair for Swiss manufecturers. It is truly international. Every single important person in the world of watches attends the fair, be they manufacturer, retailer or distributor. If they only visit one fair, this is it."

Basel '96 attracts plenty of interest from foreign manufacturers. This year, for example, a group of watchmakers from long-established German centres, such as Glashötte and Piorzehn, have come together under the name "Watches of Germany" to co-promote their products. The brands involved include Holborn, Landier, Nomos, Otto Kern, and

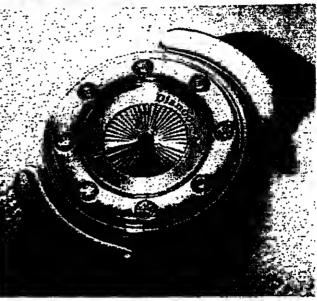
Schlenker. Old hrands are sometimes revived at the Basel event. For example a group of investors has resurrected the name of Jacques Gevril, a legendary 18th-century Swiss wetchmaker, and the new company has produced a full range of Gevril watches, comprising ladies', mid-sized, gentlemen's and chronograph versions, in both 18ct gold and stainless steel

Similarly Perrelet. founded in Switzerland back in 1777, was relamched last year at Basel. This year, in honour of its original founder, it again launched a range of 72 antomatic wristwatches. They include the Perrelet Dipteros I which has an unusually large rnby on its central upper rotor.

This year Patek Philippe is showing the Quantième Annuel watch for the first time. The watch's patented the f



n Constantio. A system of shutters protects the disk



The Champions turning the basel sevents dismonds, emeralds or rubles

18ct gold,

at Individually numbered, each watch comes with a fiveyear guarantee and a chronometer certificate. Its 18ct gold rotor can be admired. through its sapphire casebacit. Three other new watches to look out for at Basel '96 are: Omega's new Constellation. which has a slightly domed. supphire over its diai and rounder lug treatment leading to a smoother bracelet than in previous models:

· Girard-Perregaux's Pour Ferrari chronograph range, intended to follow up on its Ferrari F58 watch last year, which was limited to 349 pieces, just like the car: · Ebel's new automatic Mod-

ulor, a contender in the chronograph (stop-watch mechanism) market, which is also certified as a chronometer.

In terms of output Raymond I. with soz

exposed in a trice. This month Hermès takes over its own watch distribution in the UK. This year Tiffany brings three new complementary watches to its established Vannerie jeweilery collection, with its basket-weave design motif." They are quarta, water-rule-tant and feature sapphire, scratch-resistant crystals, white dials and roman numer-2 I S.

Jaeger-LeCoultre has brought one of the most spectecular wristwatches to Basel It is their new automatic Rev. ersa Chronograph Retrograda in 18ct piak gold. This magnificent timepiece has been made in a series limited to 500, and looks set to become a collectors' item. Other limited edi-tions include Omega's 18ct pink gold De Ville automatic chropometer, Kelek's Montre dn Centenzire repeater, Mondaine's Swiss Rallway Station quartz watch, and, that annual treat, another single jumphour tourbillon, all hand-made by Kin Tai Yu in Hong Kong. Among the less conventional watches being launched in Basel this year is Hubiot's antomatic Nénuphar, production of which has been limited . to 60 pieces. The dial represents a water filly, covered with enamelled frogs. Another unusual watch to look out for is Gérald Genta's Fantaisle, with a patented mechanical movement featuring a jumping dial and retrograde minute

the minutes. 1.8.7 636222 Sperry Hand Waldt tim Quilt arth weil-would be State Street

runs a sizeable operation in Nenchätel. The well known Bulgari-Bulgari arrived in 1977, and its range is further extended this year at Basel. There is also a new antomatic Squelette in 18ct yellow gold and a Rattrapante chronograph, in either platingm or Hermes has been producing highly individual watch designs since the 1920s, such as the Arcean, with its itallcised Arabic numbers wheeling around the dial, the Kelly, with the watch set in the padlock on its stran, and the corhand, with the cartoon characered Medor. The dial of Its ter Mickey Mouse pointing out Loquet wristwatch can be



The show provides

Basel '96 preview

Ga Century-old mechanical systems refined still 19 Century-old mechanical systems refined skill further, made to perform even better, more reliably. Packing yet more performance into already impressively multifunction electronic instruments. Giving impossibly sleek cases an extra touch of silken smoothness, a highly legible dial a bit more crispness... Never still, never content, BRETLING releatersly continues to improve its encoded medication demonst hž 81 56 to improve its range of professional chronographs with the same dedication as the aero-

utics industry upgrades its own products,

NAVITIMER SPATIOGRAPHE

BRETTLING has radically improved the legibility of the NATTIMER selfacinding chronograph. Its new SPATDGRAPHE joutures for instance a minute totaliz-er with a mechanical digital display system that provides direct short-time readouts to up to the minutes. Short-time measurements can total up to three hours. With circular slide rule for multiplications, divisions and unit conversions.

Breitling

In 1996, the BRETTLING ACADEMY will be providing highly advanced flight training to some of the world's most promising young aerobatics pilots. World champion and BRETLING trophyholder Xavier de Lapparent will supervise training sessions for them as they put the BREITLING ACADEMY'S Sukhoi 31, Cap 232 and Extra 300 aircraft through their paces

INSTRUMENTS



NAVITIMER MONTBRILLANT

Absolute harmony in sleet marks the new case design of BREITLING's high-performance MONTBRUIANT mechanical chromograph, equipped today with the new NAVITUMER bracelet to form an instrument watch unspired by the days when the original slide-rule-equipped NAVITUMER first took to the air.

Blandfords

SCOTT CARPENTER

The U.S. Navy's Top Gun air-combat school, the Blue Angels, the R.A.F.'s Rol Arrows, the Patronillo de France, astronaut Scott Carpenter -

all aeronautics legends to whom BRETLING is proud to dedicate its very limited edition ins-

truments, available exclusively from the most

This newest version of Use AEROSPACE multi-

function electronic chronograph provides an

audible indication of the hours and minutes

simply by pressing on the crown.

FOR

qualified retail iewelers.

Over a century's expertise with mechanical chronographs is obviously no bar to topflight contemporary design. Devotees of fine work manship are sure to appreciate sophisticated luxury styling as warmly as they value the technical excellence which short-time measurements demand,



with its exceptionally robust size, BREMING's ueur CROSSWIND mechanical chronograph features a markedly more classic design. The stylish "upmarket" layout of its dial confirms the total refi-



At the end of this year, when very high-altitude winds will have stabilized, the BRETLAG ORATER will head for the skies. Crewed by Bertrand Piccard and Wim Verstraeten, this specially designed balloon will rise into the stratosphere to attempt the first non-stop, round-the-world flight - the last of the great aeronautics adven-tures, crowning 213 years of dreams and achievements by the world's lighter-than-air pioneers.

عيكنا من الاجل

PROFESSIONALS

cate 30-31 day months on a yearly cycle. The dial, with its tritium-coated gold roman numerals and hands, indicates

The event attracts a lot of interest from foreign makers

the day, month, and 24 hours. Audemars Piguet (AP) always has attractive new timepieces to show to its agents and huyers. This year at Basel it will show several commemorative models. The Millenary range celebrates the coming dawn of the third millennium. It has an onusual oval case, broadest on the 9-3 'clock axis, which can house any of the brand's movements. Even some of its subsidiary dials are in the same oval shape.

The Carnegie model, also from AP, honours Andrew Carnegie, the ironmaster who became one of the world's greatest entrepreneurs during the last century. It comes in a variety of models, in 18ct yellow or white gold, diamond-set or plain. The recently-founded Daniel

Roth, like AP, has also produced a watch with an unusual case shape - essen-tially chroniar, but with two straight sides - housing an antomatic chronograph of great elegance in either gold or stainless steel. Its screwdown crown gives it water resistance to 30m, and its hand-crafted movement can be seen through its transparent sapphire back

Jalousie is the name given by Vacheron Constantin to its new mechanical watch in 18ct pink gold. It has a unique system of shutters, which can be opened to read the time of day, or closed for protection. The shutters, which are similar to Venetian blinds, are operated via a small stide set with a cabochon sapphire on the lug setting below 3 o'clock. This eye-catching piece belongs to. Vacheron Constantin's Les Historiques Collection, and

echoes a 1930s' piece. This year Zentth is presenting its Chronomaster Elite at Basel. This is the widely respected 18ct yellow gold Chronomaster now fitted with watchmaking activities go Zenith's own altra-thin move- back to the 1940s and today it

sold last year, is very high in the numbers league. It produces high-quality wristwatches at affordable prices, including the well-known Parsifal range. It sells watches in over 70 countries. The secret of Citizen's new Eco-Drive watch lies in its sec-

ond battery, which stores the electricity generated by the solar panel in the dial. It comes in a wide variety of models, from simple function to multi-hand and alarm chronograph. The Eco-Drive system is so efficient that it needs only one minute of daylight or 15 minutes of electric light to power 24 hours of time-telling. Almost 30 per cent of TAG Heuer's sales are of ladies' watches, in which the S/el series figures prominently. These are "sporty" watches positioned at the lower end of the market. In the mid-market are unusual timepieces such as DeLancan's Golden Dream, which has a shutter which slides open and shut over 54 ruby bearings (rather similar in conception to Vacheron Constantin's Jalousie), and Diancor's Chameleon, in which the revolving bezel can be used to select diamond,

emerald or ruby surrounds. There are new models this year in Patek Philippe's Calatrava line. In one the bezel, with its four concentric rings of guilloché pattern, nicely underscores the Clou de Paris guilloché disl. Audemars Piguet is presenting an auto-matic Royal Oak Offshore for ladies with a date window at 3 o'clock. The Le Brassus-based company also has a ladies' version of its new Carnegie model.

Corum, of Admiral's Cup fame, is launching its new Arcus range of jewellery watches at Basel. These are distinctive for their oval shapes (down the 12 to 6 o'clock axis) and curved cases, with dials of mother-of-pearl or red lacquer. Ebel today unveils its com-

pletely new quartz Shanta curved ladies' dress watch in 18ct yellow gold, It is notable for its open-work hinged cover and integrated open-work bracelet, and comes with a five-year guarantee.

Balgari is the third largest jeweller in the world, and is still family-controlled. Its

ETERNA

plainfaria-THE ETERNA SPORTS WATCH COLLECTION Cars bearing the Pininfarina symbol draw admining glances worldwide. Alfa Romeo, Bentley, Ferrari, Jaguar, Rolis Royce – just a few examples that have received the enviable touch of Pirimfarina. ETERNA has established at equal reputching for more for

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an equal reputation for innovation in the watch industry, with its name linked to countiess inventions and improvements in the art and science of measuring time. The ETERNA Priminana SPORTS WATCH collection is thus a natural synergy reflecting a mutual aim for perfection.

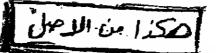
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Counterfeiting

FINANCIAL TIMES THURSDAY APRIL 18 1996 *

WORLD WATCH AND CLOCK INDUSTRY 3

Collecting and investing

Status drives demand

Collectors have to do thorough research to be sure of getting value for monev

The best timepieces are beautiful, useful and portable. They are also increasingly popalar as investments. The stage may soon be approaching when new issues of, for example, limited editions from leading watchmakers, will be snapped up immediately by dealers seeking reliable homes for medium-term cash.

The reputation of the manufacturer is vital to this kind of demand. They have to be Swiss, long-established makers of mechanical pieces, and sparing in their use of new issues of this kind. The issues are senerally tied to special events, for example, 25th, 50th or 100th anniversaries,

Commemorative watches, engraved appropriately, soon create their own markets. Sometimes watchmakers choose to celebrate, say, their 150th anniversary, by making 150 copies of the same watch in the three different colours of gold - pink, white and yellow. Or the watches can be in three differ-

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ent sizes in the same metal. If each watch bears a unique number in the production run, then it can quickly - to borrow a piece of stock market terminology - trade at a premium to its original sale price.

The importance of the manufacturer's reputation to a watch's value is confirmed by the tendency of watchmakers to issue timepieces celebrating anniversaries of their own. Cartler will celebrate the 150th anniversary of its foundation in this way next year. The company, one of the world's great luxury goods brands, has just announced the launch of the Tank Française watch. It is a new line, available in four versions, which distinctly and intentionally will derive its inspiration from the original Cartier Tank wristwatch, which first went on sale in 1919. Dealers in classic watches

and that their customers are often the original manufactur-



An antique ostrich-feather fan, with a watch set into the handle, to be auctioned in Geneva by Antiquorum

ers of the pieces, as they strive to build up their own in-house museums. Patek Philippe, for example, devotes a considerable budget to buying the few missing pieces needed to complete its remarkable collection. Would-be collectors and investors can do no better than to preview watches on offer in the salerooms of leading auction houses. Experts are on hand during previews who will give freely of their knowledge and advice. Small regional auction houses may also produce the occasional bargain for the dedicated collector. An inquiring mind is essential to the watch buyer. If a complicated timepiece seems attractive at its pre-sale esti-

mate then it is important to request a demonstration of its various functions. Sale catalogues are the text

books of a horological education, and the "viva" of attending an auction on the day can be an enlightening and often money-saving experience. Buyers' and sellers' premiums. with their tax implications,

Dealers in classic watches find that their clients are often the original makers

must be taken into account when contemplating a purchase. Ultimately hammer prices reveal the market popuarity of particular models.

Collectors and investors without access to good salerooms can instead make use of local second-band watch dealers and one-day markets. These may produce some bargains, but it is essential to ask

profiles of leading watchmakers and their products. Clock collectors often read the Horological Journal of the British Horological Institute. which has been published every month since 1858. The

more recently-established Antiquarian Horological Society also produces a journal. Surprisingly there is no association, club or society for wristwatch collectors in the UK, but their interests are well served in America by the National Association of Watch and Clock Collectors and its bimonthly Bulletin.

What to collect? The best bets, which act as hedges against even the slightest monetary inflation, are either individual brands - which must be admired and well-researched or a theme.

Limited editions are expensive to buy into, thanks to the strong demand they enjoy. Other popular themes to pursue. suiting pockets of all depths, include wristwatches that feature car radiator grilles questions. If yon do decide to and cartoon characters, early buy a timepiece, request a Swatches. 1970s LED pleces, Masonic and first world war Contact numbers: Antiquarian Horological Society - 01580 200155, British Horological Institute - 01636 813795/6, International WristWatch - 0171 736 8670, National Association of Watch and Clock Collectors Inc - 001 717 684 8261 (UK codes).

time is running out Fakers' Counterfeiting of luxury watches may not go on flourishing for much longer Good counterfeit wristwatches find buyers because they look like the gennine articles, show the time accurately and are very cheap. The counterfeiters are so successful that last year their sales accounted for about 10 per cent of the global value of the wristwatch trade.

Along Bangkok's Silom Road, in the Patpong area, three words ring out above the babbab, day and night: "Rolex, TAG, Cartier ... Rolex, TAG. Cartier". Yon need no Thai and only a few pounds to buy one. All you do is point to a model depicted in the legitimate manufacturer'e own brochure, which is on display, and out comes a counterfelt versiou...no box, no certificate, no receipt ... but a pur-chase which will fool many and even last a year or two.

Counterfeit wrietwatches generally feel lighter than the real thing. Even the best lack attributes of the originals, for example: the name "Cartier" embedded in the number VII on the dial of the octagonal Santos; Gucci's donble GG logo on the crown of its 9000 models; the five-digit model number, which should be between the case lugs at 12 o'clock on a Rolex; or the words "T Swiss Made T" at 6 o'clock on a TAG Beuer.

Fakes are going upmarket, bowever. Counterfeiters are now producing high-quality genuine 18ct gold cases to bouse their movements. Mr Marc Frisanco, who heads Cartier's intellectual property division in Geneva, comments: They're getting more ambltions. It's a very serious problem.'

His company has so far initiated more than 2,500 legal pro-ceedings against fakers around the world. In 1995 it spent more than £3m protecting about 8,000 trademarks, 3,000 registered designs and 2.000 patents in some 125 comparies.

Until recently counterfeiters only produced copies of products actually manufactured by the target company. But now



A counterfeit Gucci 3000 series (right) and Gucci 9000 series (leff)

nent.

The EU is going to have to

face up to the uncomfortable

produce large numbers of con-

vincing fake wristwatches.

The frontiers of member states

are falling just as demand for

the fakes is growing, making

life easler for smngglers of counterfeit watches.

In the UK the Anti-Counter-

feiting Gronp is very active in

combatting brand pirates, It

has produced a handbook for

trading standards officers and

urges strong law enforcement

A large number of interna-

fact that Italy and Spain also

the unwitting or unscrupulous gium. Antwerp jewellers carry can welcome fake Cartier ties, varied stock. The counterfeits toothbrushes, shoes and conmainly come from China and doms into their lifestyles -Sonth Korea, and are immediitems which Cartier itself does ately sold oo to backstreet engravers all over the continot make

Piaget. like Cartier part of the Vendôme group, discovered a complete fake Plaget shop in south China not long ago - respiendent in the company livery and well stocked with counterfelt fragrances, pens and watches.

Manufacturing jewellers exhibiting at the Basel '96 exhibition, which opens today, have been understandably reluctant to send out illustrations of their new lines in advance. They know that one picture in the wrong hands means instant forgeries from some far-off sweat shop.

whenever a proven case of the It has been estimated that manufacture or sale of counterfeit watches is discovered. about 95 per cent of all counterfeit timepieces arriving in Europe do so through Bel- tional bodies is fighting the

fakers, too, including the World Trade Organisation; the Manufacturers' Association; the International Association for the Protection of Industrial Property; the World Intellectual Property Organisation, and the International Anti-**Counterfeiting Coalition.**

The Blenne-based Federation of the Swiss Watchmaking Industry, long known internationally as the "FH", which represents the interests of about 90 per cent of all Swiss watch manufacturers, also has an active anti-counterfeiting Mr Alain Dominique Perrin,

president and chief executive officer of Cartier, spoke for all manufacturers when he told delegates at a conference on brand piracy in London last September: "Counterfeiting is robberv."

The tide appears gradually to be turning against the fak-ers. The role of intellectual property rights within the world economic order was con-firmed in Marrakesh in April 1994, when 116 countries ratified the Urnguay Rounds agreement. The registration of trade-

marks in China is growing rapidly, following successive implementations of its Trade-mark Law of 1983. The State Administration for Industry and Commerce (SAFIC) approved the registration of about 80,000 overseas trademarks from more than 80 countries last year. "The number is not very big", reports Mr Zhang Tianji, a SAFIC official, "but the annual registration of overseas trademarks has kept on soaring in recent vears." Registrations in 1991-1995 almost equalled those in the previous 40 years. The Hong Kong Watch Mannfacturers' Association was established in 1968 and operates a design directory intended to reduce counterfeiting. Hong Kong's many manu-facturers believe that HK\$300 is not a high fee for protection against imposters. Even in Thailand, the ranks of the vendors of Silom Road are thinning. In 1988 there were some 7,000 snch street retailers. Now there are only around

100. The UK's Anti-Counterfeiting Group can be contacted on 01494 449165.



Quartz put paid to many old firms

of horology. A guild apprenticeship system existed which was not dissimilar to that of London's Worshipful Company of Clockmakers, which was

soon being assembled by cabinotiers (ontworkers), and, in this respect, not much has changed. Throughout the highsided valleys of north-west Switzerland, thousands of families maintain old skills, traditions and pride, and many of the original enterprises were set up then, as commemorated in tha "depuis" dates proudly

The best of the survivors have preserved their markets and a number of them are members of the Association Interprofessionelle de la Haute The industry in

East, disappeared.

to compete with the quartz-

driven timepieces from the Far

Switzerland has a well developed instinct for survival

Horlogerie (AIHH). This is a Swiss-based, independent, nonprofit organisation, founded in 1993 under the guidance of its president, Mr Franco Cologni. Mr Cologni, a vice-president of Cartier International, explains why he believes a

defence of quality watchmak-ing through the AIHH is necessary: "Any close look et the market trends reveals the emergence of many disturbing factors, including a super-abundance of supply, the frantle pursuit of profitability, unfair trading practices, such as the parallel market or unbridled discount offer, and the vanishing of sales skills specific to haute horlogerie."

The main focus of the Swiss watch industry's long-established instinct for self-preservation, the Federation of the Swiss Watch Industry (universally known after its French title, as the "FH") is the result of a merger in 1983 between the Swiss Watch Chamber and the Federation of Swiss Watch Manufacturers.

Based in one of the great watchmaking centres, Bienne, the FH currently has about 550 members who together represent more than 90 per cent of all Swiss watch and component manufacturers.

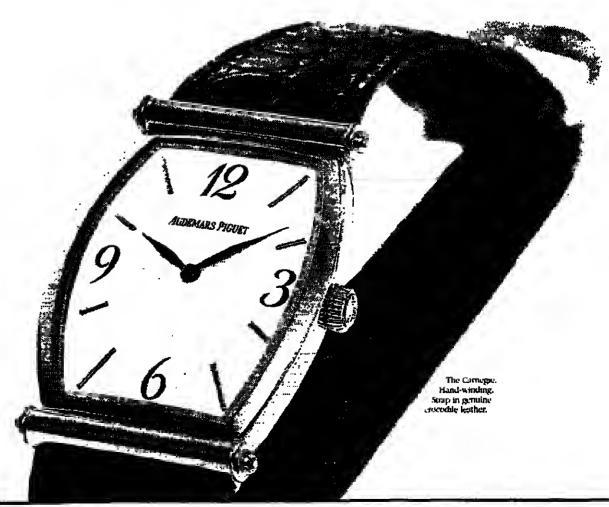
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Jules-Louis Audemars, Edward-Auguste Piguet, 1875.

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4 WORLD WATCH AND CLOCK INDUSTRY

Sports watches Victors add kudos

time markers.

Automatic Diver Chronograph,

Atlantic's logo, a pair of com-

passes, at or near 12 o'clock.

The Catamaran brand of

Montres Consul is marketing

itself heavily in association

with motor, snow and water

sports. Colfers are meanwhile

the target market for Cartler's

18ct yellow gold Pasha de Car-

tler, which can keep and dis-

play four separate scores at the

same time.

Manufacturers are keen to give their products the appropriate sporting image

IV

It is an Olympic Games year again. The world's greatest sporting occasion, which this year will be held in Atlanta in the US, has already produced a lot of marketing activity from Swatch, the brand that has been appointed official timekeeper to the games. Swatch belongs to the giant SMH group, and operates within its Swiss Timing division which also contains Longines and Omega. The latter companies have been timing sports events for decades, and Swiss Timing will attend over 170 big sporting events this year.

When the games begin in July, Swatch Timing, as the division will be renamed, will be using a video system called Scan 'O' Vision, with new digitised finish-line technology, to



TAG Heuer's latest addition to its 2000 series, in stainless steel

transmit colour images directly and the Skipper Automatic to giant screens in the stadia Regatta Chronograph. All have and to television sets all around the world.

Among the wristwatches produced by Swatch to commemorate the Games is the Olympic Legends range. These have been designed in close association with ten famous athletes, including the runners Said Aouita and Sebastian Coe, and the swimmer Mark Spitz.

Many other wristwatch manufacturers are expanding their sports ranges. They have also caught on to the fact that chronographs and other multifunction gentlemen'e watches are increasingly appealing to the ladies sector. Smaller ladies watches and the rarer mid-sizes do not often carry the added functions of gentle-

activities. Casio's G-Shock racing is being televised, just Altimeter is targeted at climbone manifestation of the comers, as is Citizen's Altichron. pany's annual \$100m market-Sailors have long been familiar ing and advertising budget. with Corum's Admiral's Cup TAG Heuer spends \$15m alone Marées stainless steel and 18ct on sports sponsorship. gold antomatic model. This

The company's new 2000 series, a refinement of the origuses subsidiary dials to give information on: the lunar inal 1982 model with its 12cycle, tide coefficients, high sided bezel, has the dubious distinction of being the second and low tide, and has a date most counterfeited watch after window at 3 o'clock. The nautical pennants used in the inter-Rolex variants. Still on the motor sport theme in Basel national maritime code act as this year, TAG Hener is pres-Corum is promoting its black enting its Carrera B chrono-

dial version, in a range which graph, with its prominent push buttons and black dial. accounts for some 54 per cent of Corum's annual output. Mr Breitling'e watchmaking ped-Jean-René Bannwart, chairigree has been involved with the great outdoors since 1884. man of the family-owned man-Its famous 1952 Navitimer put ufacturer, says; "Our creative philosophy assumes that watches are indispensable as the brand on the horologic map. Last year at the Basel Show, the Breitling Emergency instruments to measure time. So let them also be beautiful was one of the undonbted and remind us of good times." stars. This year the world's Atlantic, a recently-revived largest makers of mechanical chronographs has rolled out no sporting watch brand, offers fewer than five limited edithe Worldmaster range (with ladies' sizes), the Mariner

tions. These are: a stainless steel Red Arrows chronograph, a total of 1,965 pieces of which have been made, commemorating the year the Royal Air Force display team was set up; • the Breitling Aerospace, which honours France's equivalent of the Red Arrows, the Patrouille de France - there are 1,953 pieces, again commemorating the year of establishment;

• the pink gold Navitimer Montbrillant, endorsed by the US Navy's Blue Angels aerobatics team • the Navitimer 92, chosen by the US Navy's Fighter Weapons School;

• an issue of 1,000 handwound mechanical Navitimer Cosmonaute watches identical to the one worn by the famous astronant Commander Scott Carpenter.

The Yuri A. Gagarin Cosmonauts Training Centre has meanwhile selected the Official Cosmonauts Chronograph by Fortis as the official timekeeper for the Alpha 2001 space station project being developed by Russia, the US, Canada and ten European countries. Closer to earth, Revue Thommen's new Airspeed Collection

is designed for use by aircraft pilots, boasting a quartz move-

FOCUS Jewellery Gentlewomen prefer diamonds

Events like Basel' '96, which opens today, prove that the watch, clock and the market, while in Italy, that most fashion-conscious of nations, "other" jewellery trades are just separate items have the biggest share. parts of a whole retail scene. This year there are 1,324 exhibitors in the jewellery halls, of whom 353 come the UK are revealing. About 63 per from Italy. There are 348 cent of women would like to own more representatives from Germany, 98 jewellery than they possess - a far higher figure than in other European from Hong Kong and 47 from the UK. According to recently-published countries. UK women also feel that World Gold Council statistics the UK gold jewellery is one of the easiest has become the largest Enrope market in volume terms for plain gold jewellery, at 40m articles, well in memories to a greater extent than front of Italy, which absorbed 27.5m European women. In the UK the interests of the pieces. Almost 29 per cent of UK adults purchased plain gold jewellery in 1995 - the same percentage as in the National Association of the two previous years. These

statistics break up as follows: earrings 35 per cent, neckwear 22 per cent. rings 20 per cent, wristwear 10 per cent, and "other" 18 per cent. National huying habits vary. In leveller can become a member of the Greece, for example, earrings make up less than 10 per cent of its annual

jewellery sales. In France and

NAG." The annual UK sale of 40m plain

shop windows. Mr Jack Ogden, its

chief executive officer, says: "Anybody

can become a jeweller, but not every

tifts to buy, and rate it more highly

Germany rings take the lion's share of gold items is far greater than the figure for gen set places which is 9m but ultimately the glamour lies with the latter. Exhibitors in the jewellery Commer attitudes to jewellery in halls in Basel '96 include suppliers of stones, parts and tools, and are an integral part of watchmaking at panies such as Bulgari, Tiffany

> showing complete pieces. Pforzheim, in the Black Forest, has been a jewellery centre for many centuries. Chopard, noted for its. Happy Diamonds line of watches and vellery, has a big presence there. Companies such as Eugen Schofer. showing in Basel, has made knitted inesh and silk mesh chains in gold, platinum and stamless steel since 1904. This year throat torques in stainless steel are proving to be popular.

celebrates its bicentenary in 1998 and remains a jamily company, is sically a jeweller at the top end of the market but now features

quality-brand watches in its catalogues as well.

FINANCIAL TIMES THURSDAY APRIL 18 1996

Mr Ian Dahl, the recently appointed group chief execative at Asprey, indicated the company would take a fresh approach to its traditional markets: "The new management team will be increasingly developing the range of high-quality jewellery in the £1,000-£4,000 bracket," he said, "We believe this price range is a growing market - for jewellery purchased repeatedly as an investment by today's independent women."

Asprey has commissioned the top Italian designer Mr Stefano Ricci to produce a special collection of iewellery for the coming Christman season. Mr Dahl knows that consumers spent about £212m on fashion jewellery in 1995 - and he probably knows that many women agree with the line in Anita Loos' Gentlemen Prefer Biondes: "(A man) kissing your hand may make you feel very, very good, but a diamond and sapphire bracelet lasts for ever."

and Pieget. Most exhibitors are

than other Europeans. They also think jewellery is associated with personal jewellery trade have been guarded by Goldsmiths since 1884, and its grant of arms can be seen in more than 8.000

Boodle and Dunihorne, which

Ciocimakers **Small band survives in**

world market is shrinking".

In Basel, Rapport is launch-

ing a new carriage clock which

represents, these days, an nousual achievement. It is sim-

ply an all-English made

wind-up clock. No part of it,

except for the spring, is

One of the biggest clock dis-

tributors in the UK is the Lon-

don Clock Company, Most of

its pieces are badged Japanese

products. Meanwhile the fami-

ly-owned FA Gluck, in South

London, produces clocks for

the market; the escapements

are imported but it makes its

Smith of Derby is a world

leader in the production of out-

door clocks, This is yet another

family-controlled concern. It

was founded in 1856. Its activi-

own

mech

highly-engineered nical movements.

flourishing everywhere, how-ever. The Geneva based auc-

tion house Antiquorum has

never been busier in its 22 year

history. Its Art of British

Horology sale last November

As a token of the importance

auctioning a remarkable clock

British makers are rare in a sector dominated by Germany and the

was a big success and a timely reminder of Britain's past emi-Almost a quarter of the exhibitors at Basle '96 are from nence in the field of clockmak-Germany, and many of these are clockmakers, part of a of the trade in antique clocks, innestanding national industry today in New York Christie's is traditionally centred in the Black Forest region. Alongside China, Hong made by Faberge to celebrate the silver wedding of the Rus-Kong, Japan and South Korea, Germany has a healthy export business in quartz movement cases and other parts, in sharp contrast with the UK or the

making trade of any size. The companies in those countries are eimply assemblers and wholesalers There will, however, he a

Antiquarian horology is however, he believes that "the clocks constructed to survive all types of weather on public buildings.

Mr Nicholas Smith, the chairman, reports: "New pro-jects have developed enormously in size and complexity in recent years. Our use of in-house computers aids ign, speeds up manufacture, and improves our presentations for big contracts around the globe." The company has produced clocks for Glaxo: EuroDisney Paris and beautiful and complicated large automata for a new opera house in others to sell at the top end of . Stutteart.

This year in Basel the Swiss clockmaker Matthew Norman is presenting its 8-day domed Renaissance, Luxor and Swiza are again both showing elegant new clocks with clear, crisp dials in refined cases. The English maker Sinclair-Harding has long been known for ties are divided between its elegant, complicated clocks, repairs and maintenance and and this year will also be presthe supply or replacement of ' ent at the Basel event.



Far East

US, where there is no clock-

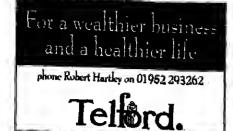
British clock group at Basle, sponsored by the British Horological Federation and the Department of Trade and

about this.

sian Tsar Alexander III and Empress Maria Feodorovna. It is expected to realise between \$500.000 and £1m. Clocks are often eeen as appropriate gifts for new homes. In times of recession fewer people are inclined to move, and the bounce goes out of the market. Rapport is one clockmaking company exhibiting in Basel which knows all

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FINANCIAL TIMES COMPANIES & MARKETS

Thursday April 18 1996



Ford

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diamonds

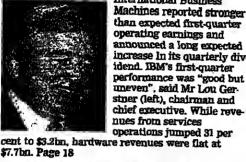
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SAP predicts 40% advance for year

SAP, the German business software group, sought to end the confusion about its business outlook with a forecast that net profits would rise at least 40 per cent this year. On Monday, a senior company executive created confusion by rejecting some analysts' forecast of a 50 per cent profit growth for this year as too optimistic. Page 17

IBM lifts payout after 'uneven' term International Business



operating earnings and announced a long expected increase In its quarterly dividend. IBM's first-quarter performance was "good but uneven", said Mr Lou Gerstner (left), chairman and chief executive. While revenues from services operations jumped 31 per

L'Oréal produces 11th year of growth L'Oréal, the French cosmetics group, reported 1995 net earnings, excluding capital gains and losses, up 8.3 per cent at FFr3.4bn (\$660m). Profits before tax and profit-sharing rose 10 per cent to FFr5.9bn, the 11th consecutive year of double-digit growth. Page 17

Thomson agrees Crédit Lyonnais stake sale The Thomson electronics group announced that the French government had agreed to pay a minimum FFr3.3bn for its 21.93 per cent stake in Crédit Lyonnais, the French banking group, Page 16

GAN cuts losses to FFr1.8bn GAN, the state-owned French insurance group, reported 1995 losses down substantially to FFr1.8bn (\$350m) from FFr5.7bn while predicting a return to break-even this year. In spite of a sharp recovery last year in GAN's insurance activities, property losses dragged the group into a deficit. Page 16

AT&T head attacked at AGM over pay Mr Robert Allen, chairman of AT&T, came under fire over his pay at an occasionally hostile annual meeting. However, a motion which opposed the election of directors as a mark of disapproval was easily defeated. Page 18

San Miguel shares fall sharply on warning San Miguel, the Philippines' largest beer and consumer goods company, saw its shares dive almost 10 per cent yesterday after senior executives warned of a deteriorating profits outlook. Page 20

Pru upbeat for year after sales rise Prodential, the UK's largest life assurance and investment group, expressed optimism about pros-pects for 1996 as it announced increased sales for the first quarter of this year compared with the same period in 1995. Page 21

15 Hongkong Telecom

5 Jardine Matheson 17 KPMG Netharlands

Lyonnaise des Eaux

20 Kühne & Nagel

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18 L'Oreal

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Companies in this issue

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Crucht Lyonnais

Russian banks get tough with West

By-Chrystia Freeland In Moscow Russian banks said yesterday

they would be tougher with non-Russian borrowers following the collapse of AlOC, a US-based metals trader with large debts to Russian lenders. AIOC, which was once a domi-nant group in the lucrative Rus-

OTHE FINANCIAL TIMES LIMITED 1996

sian metals market, was forced into Chapter 11 bankruptcy hearings last week by some of its Western creditors. Russian banks, who are owed \$35m-\$40m by the US company,

said AIOC's failore could provoke a sea-change in Russian attitudes towards Western companies. Tokobank, one of AIOC's three

Mansfield

to leave

Fairfax

months

By Nikki Talt in Sydney

Mr Bob Mansfield, head-hunted

to be the chief executive of John

Fairfax, Australia's leading

newspaper gronp, last year. announced yesterday that he was quitting the company after just four-and-a-half months.

Speculation about Mr Mans-

field's possible departure began

to circulate on Tuesday, and yes-

terday morning Fairfax admitted

he would meet Sir Laurence

Street, non-executive chairman,

later in the day. As a result of that meeting,

Fairfax said an "amicable agree-ment" for Mr Mansfield, 44, to

"retire" bad been reached. It

added he would stay for three months to provide continuity.

No formal explanation for Mr

Mansfield's abrupt departure

was given, but he is thought to

have been at odds with represen-tatives of Mr Conrad Black, the

after $4^{1/2}$

main Russian lenders, said yesterday that in the wake of the episode "our conditions for lending to foreign companies, which operate on the Russian market, will be stiffened".

An official at another Russian bank said the collapse was likely to shatter the Russian assumption that foreign groups were always more solid than local ones. "I think that all Russian banks will be much more cantious about extending credits to foreign companies working on the Russian market," he said. "It is ironic, because we are accustomed to our Russian clients going broke but not our Western ones."

Olivetti

underscored the perils of metals trading in Russia, one of the most savage sectors of the Russian economy. However, Mr Alan Clingman,

AIOC chairman, said he was confident the group could be smoothly unravelled and he emphasised that AIOC would take an even-handed approach to its Western and Russian creditors. "We treat all the banks equally. Some of our Russian banks are secured, some are not secured. Some of the Western banks are secured, others are not secured."

He said the company had been weakened in part by heavy trad-

Italian computer group sees end of big restructuring costs in 1996

AIOC's downfall has also ing losses in ferro-chrome and the breakdown of its relationship with a leading Russian aluminium producer. But he said the

fatal blow came in February, after partnership talks with Marc Rich, the commodity trading group now known as Glencore International, collapsed.

"Once it became known that our discussions with Marc Rich would not amount to a transaction there were a lot of rumours in the market," Mr Clingman said. "A lot of our creditors then became more aggressive in deal-

ing with us." He said that AIOC sought more financial aupport from its bankers, but when negotiations he said

proved inconclusive, the company went into "meltdown". Mr Clingman said AIOC and some of its creditors had sought to avoid a Chapter 11 filing, preferring "an orderly liquidation of assets", but Western brokers had pushed the company into bank-

ruptcy hearings. AIOC had also suffered losses in the central Asian republic of Kazakhstan, where the national privatisation programme freed new owners from responsibility for old debts. AIOC had lost money advanced to Kazakh companies and was still negotiating with the government of Kazakhstan for a recovery of its funds,

forecasts By Richard Waters in New York Ford Motor's overhaul of a large part of its product line proved less expensive in the first three months of this year than the stock market had feared. This valsed hopes that the depressed profits at the US's second-biggest

surpasses

first-term

carmaker will rebound faster than had been expected. The heavy cost of introducing new models of some of its big-gest-selling vehicles led Ford to report yesterday a 58 per cent fall in after-tax profits from a year before, to \$653m. The introduction of a new F-series pick-up

truck, which accounts for a fifth of its US vehicle sales, and a new Fiesta in Europe, accounted for much of the decline. The costs of model-change-

overs stem from lost production and bigher discounts offered to

Wall Street, which had been expecting Ford to report earn-ings per share of about 33 cents. was impressed by the 53 cents it reported, extending the recent gains in the company's stock. Ford was trading at \$36% at lunchtime in New York, a rise of

Ford's performance was underpinned by its highly profitable financial services operations. These contributed \$511m of after-tax profits, 25 per cent more than a year before.

The group's automotive busi-nesses, on the other hand, registered net income of \$142m. almost exactly \$1hn less than the first quarter of 1995.

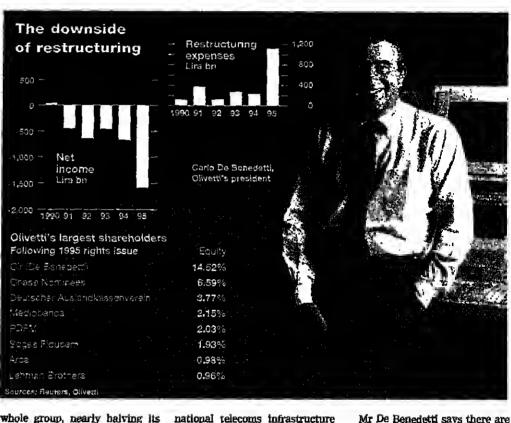
Mr Alex Trotman, chairman, issued a further defence yester-day of Ford's decision to introduce a number of high-volume vehicles at once. The changeovers were best done at a time when Ford was financially strong, and the new product line and cost-cutting would "soon begin to pay off", he said.

Ford reported continued strong demand in the US for

strives to hit profits target hen Mr Carlo De Bene-detti, chairman of Olivetti, talks to some of the Italian computer group's larg-est shareholders today in the US, he is likely to go easy on the promis

This is the third successive year in which Mr De Benedetti and his managers have set themselves the goal of ending net losses at the group, and they have not yet hit the target. What is more, even though Oli-vetti's shares have recently bounced back from their low of 1735, they are still stuck below the L1,000 price at which Mr De Benedetti persuaded many US investors to subscribe to last year's record L2,257bn (\$1.4bn) rights issue aimed at relaunching the company.

That is one good reason why fund managers and analysts will seek a detailed explanation of Olivetti's 1995 results, published on Tuesday. Last year, Olivetti



whole group, nearly halving its workforce to about 30,000. As a proportion of turnover, IBM and Digital Equipment of

And Mr De Benedetti is relishing the prospect of leading Olivetti for a few more years yet in "guer-rilla warfare" with Italy's statethe US, and Bull of France have

ners for the group.

built by Italy's stata railways.

no negotiations under way with the French companies, apart from the talks with France Télécom on Infostrada. He concedes an alliance with Bull would make light trucks, but an intensificasense for the French manufaction of competition in the marturer, but he is uncharacteristically cagey about the future shape of Olivetti: "We have structured the company so we could make partnerships or even break up the company, but I'm not going to tell you what we are going to do." officer. Whatever he decides should be the next step for Olivetti, Mr De Benedetti will only earn the thanks of shareholders if he does competition from Japanese manufacturers, which were better have identified Bull, the French able to increase incentives to US state computer group, and it cheaply, and soon. car huyers due to the recent Andrew Hill decline of the yen against the dollar, he added. France Télécom as potential part-

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Canadian media proprietor who olds a 24.9 per cent stake in the Anstralian publishing group and is its largest shareholder. Mr Mansfield came into the newspaper business with no experience of the industry, having previously been head of Optus, the Australian telecommunications group, and before that of the Australian arm of McDonald's. He was head-hunted 20 20 17 mer chief executive. **1a** 20 Mr Dong Halley, finance direc-tor, and Mr Stuart Sinson, man-1, 14 18 15 unit - bad departed. 18 1, 14 any major company you're going to have people expressing differ-20 board environ ing problems - the general slow-down in the Australian economy months to December 31, and 24 be down on last time. 26,27 It was nuclear yesterday who might succeed Mr Mansfield, although one mooted possibility 23,23 25 24 - Mr John Reynolds, the new 32,33 30 25

by Mr Stephen Mulholland, for-Within weeks of Mr Mansfield's arrival, senior Fairfax executives - including Mr Michael Hoy, deputy chief executive. aging director of the David Syme Asked earlier this year if this had led to tensions with Mr Dan Colson, Fairfax's deputy chairman and chief executive of Mr Black's UK Telegraph group, Mr Mansfield said: "In the board of ent views as part of a healthy Meanwhile, Fairfax was suffercoupled with higher paper costs caused it to post a 23.2 per cent drop in net profits for the six warn that full-year result would head of Fairfax's Melbournebased subsidiary David Syme -said that he had not been in discussions on this.

finally returned to annual operatall spent more over the same ing profit, but, for the fifth consecutive year, restructuring charges left the company deep in net loss. The full-year consoli-dated loss of L1,598hn had been heralded in January.

More surprising was Tuesday's news that in February and March, Olivetti's personal com-puter unit had made a tiny profit and was increasing shipments in Europe faster than the market was growing. Mr De Benedetti is still cautious about the prospects for 1996, the first year of operations since the PC business was formed into a separate subsidiary, Interviewed yesterday before flying to the US, he said: [The PC result] is more emblematic than substantial in my mind. It is very important that in February and March the PC company was breaking even, but that

loesn't mean we will be successful for the full year." In any case, Olivetti executives believe the importance of the PC business has been overestimated by shareholders. They point out that PC sales account for only 22 per cent of overall group turn-over. But before dismissing their fears about the impact of the PC business on the group results, analysts will need further evi-dence that Olivetti has avoided the fall-out from a sector in which even market leaders such as IBM and Compaq have been

suffering this year. Their other main concern has been the long-running restructuring of the Ivrea-based group. Since 1989, Olivetti has spent a total of L2,270bn, or 4.3 per cent of revenues, restructuring the

Mr Michael Durham, Sabre

Mr Robert Crandall, AMR

The move would also have the

period, according to Olivetti's figures. But the Italian group has earned itself a notoriety with the market for drawing a line onder its extraordinary charges and then unexpectedly adding to them, as it did in January.

Mr De Benedetti claims the restructuring process was drawn out for "social and cultural" reasons, or, to put it more bluntly; "If I had said in 1989 that I wanted to make 50 per cent [of the workforce] redundant, people would have killed me."

In 1996, he claims there will be no further significant restructur ing costs. The L1,123bn extraordinary charge for 1995 - about a quarter of which was probably spent on the PC business included provisions for L418bn to be spent this year. "We have destroyed a lot of [shareholder] value, through the losses and restructuring costs," he admits. But he adds that the group has created new value in telecommunications and multimedia, activities which he believes will now

restore the group to prosperity. Most analysts estimate that the break-up value of Olivetti's non-PC activities, including its large stake in Omnitel Pronto Italia, the Italian digital mobile phone operator, is far greater than the current share price.

Olivetti is now working on expanding its involvement in the telecoms sector. France Télécom and its partners Deutsche Telekom and Sprint are due to enter Olivetti's Infostrada telecoms joint venture with Bell Atlantic of the US. Infostrada is one of several possible bidders for the

AMR considers spinning off Sabre reservations system

consortiums of international air-

AMR, parent company of American Airlines, the secondpresident end chief executive, biggest US airline, yesterday confirmed it was considering a said the explosion of information technology and its impact on the spin-off of Sabre, one of the travel industry had created new world's biggest computer reservaopportunities for Sabre. "In order tion systems. As a first step, it said it was to take advantage of these opporreorganising Sabre by turning it nunities, and to form the kinds of into a separate subsidiary, a partnerships and alliances that transaction it expected to comwill help us grow, we need to be an independent organisation plete in this year's third quarter. Beyond that, AMR said, it that is, legally separate from the would study options that could airline. include strategic partnerships and an initial public offering of a chairman and chief executive, partion of Sabre's stock, but no said separation would enable the airline and Sabre 10 concentrate decisions had yet been taken. on improvement and expansion. Subre is unusual among computer reservation systems in being wholly owned by one aireffect of cutting the airline's costs by between \$120m and line. Its main rivals are Amadeus

By Hichard Tomkins in New York and Galileo, which are owned by \$140m a year. Mr Crandall said partly by putting its relationship with Sabre on a more commercial footing, and partly because Sabre would take on about \$850m of airline debt.

> Last year, Sabre earned pre-tax profits of \$371m on revenues of \$1.6bn. in contrast, restructuring charges helped take the airline into pre-tax losses of \$31m on revenues of \$15.5bn.

AMR's first-quarter results yesterday showed increased net earnings of \$157m or \$2.02 a share, from \$37m, or 48 cents a share. Mr Crandall said improved load factors and stronger yields had helped lift the results. outweighing higher fuel prices, a new jet fuel tax, severe uniter weather, and some costs arising from a new labour acreement. Lex, Page 14

controlled telecoms operators. The new structure of the group (a holding company with subsidiaries rather than integrated divisions), wider ownership of its shares, and the dismantling of Olivetti's shareholder syndicate after the rights issue, have also fuelled market speculation that the Italian group may be thinking of more far-reaching ways of securing its future. The markets

ket for cars. The average incentive offered on each new vehicle fell to \$870, from \$900 in the previoas three months, but was likely to rise back above \$900 in the current quarter, said Mr Dave McCammon, chief financial This in part reflected tougher

THIS ANNOUNCEMENT APPEARS'AS A MATTER OF RECORD ONLY BTR plc has disposed of **Tilcon Limited** to Minorco in a transaction valued at £330,000,000

J O HAMBRO MAGAN & Co

acted as financial adviser

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FINANCIAL TIMES THURSDAY APRIL 18 1996 16 COMPANIES AND FINANCE: EUROPE Thomson agrees sale price of Crédit Lyonnais stake per cent owned by private warning last month that its By David Buchan in Paris investors, said yesterday its proposed 1995 dividend of FFr2.50 per share remained The Thomson elactronics group yesterday announced that the French government had agreed to pay a minimum FFr3.3bn (\$644m) for its 21.93 per cent stake in Crédit Lyonunchang Under the terms of the agreement, the government will pay Thomson-CSF a minimum of nais, in a move that will make FFr2.859bn for its 18.9 per cent in Crédit Lyonnais and Thom-Thomson more attractive to son SA FFr484m for its 3.01 per buyers when it is privatised cent holding in the state-controlled bank. later this year. The deal involves a substantial write-off of the value of Crédit Lyonnais shares and The share sale is to take place at the time of Thomson's investmant certificates on privatisation, and in any avent Thomson's books, and will by December 20 this year at therefore entail a substantial the latest. downward revision of the 1995 The main part of Thomson's stake in Crédit Lyonnais - the results which Thomson SA, the 18.9 per cent held by Thom-son-CSF - dates from the lat-ter's cession of its Althus state holding company, and its professional electronics subsidiary, Thomson-CSF, have profinancial business to Crédit visionally published. Lyonnais, in return for which But by removing the uncerit took shares in the bank. Based on the government tainty attached to owning one-fifth of the troubled Crédit rescue plan for Crédit Lyon-nais, these shares have been Lyonnais, Thomson yesterday said the operation constituted "the first act" of its planned valued at FFr4.79bn on Thomson-CSF's books, but the com-pany took the precaution of FFr5.90 at FFr134.40 yesterday. privatisation. Thomson-CSF, which is 42 GAN cuts deficit and sees return to break-even By Andrew Jack in Paris into a deficit for the year. Life assurance in France was up strongly, with an increa of net income of 39 per cerit on its 1994 level to FFr1_2bn. GAN, the state-owned French

SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you

and me. Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.



United Nations High Comm mer for Refugee

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome. It may not seem much. But to a refugee it can mean everything. UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world. **UNHCR** Public Information P.O. Box 2500

1211 Geneva 2, Switzerland

insurance group, yesterday reported 1995 losses down sub-The losses in non-life in France fell from FFr1.3bn to stantially to FFr1.8bn (\$351m) FFr566m, and net income from

while predicting a return to break-even this year. The figure followed losses in 1994 of FFr5.7hn, which were accompanied by a restructur-ing of its property investments and a refinancing by the

French government. Mr Jean-Jacques Bonnaud, chairman, said yesterday that the group's recovery was well under way, and he expected it

to return to profit in 1997 with an objective of a 10 per cent return on equity. In spite of a sharp positive

swing in the performance of tha group's insurance activities, which switched from a loss of FFr310m in 1994 to a profit of FFr1.1bn in 1995, property losses dragged GAN ring-fenced other property investments,

The group provided detailed information vesterday on the results of CIC, which is set to

provisional rsport of a

FFr1.01bn net 1995 profit was subject to a re-evaluation of

Because of the difference

between the higher book value

and the lower minimum share

now agreed with the state,

Thomson-CSF and Thomson

SA are to take extra provisions

of, respectively, FFr1.802bn and FFr279m for 1995. Thomson-CSF will no longer

hava to underwrite its share of

the guarantees underpinning the Crédit Lyonnais assets

hived off into the CDR, the

government created vehicle for the bank's rescue. But the

state is charging Thomson-CSF FFr477m for getting quick relsase from this long-term

obligation, and it will deduct

this amount from what it is to pay for the shares.

would still get enough for the shares to wipe out its current

net debt of FFr2.3bn. Thom-

But Thomson-CSF said it

these shares.

to receivs a minimum of FFr9bn from the partial sale of CIC and of Compagnie Tran-scontinent de Réassurance, its reinsurance subsidiary.

FF196m from its other subsid-iaries, which had generated net income of FFr125m in 1994. A deterioration in the French property market forced the group to make additional That led to losses of FFr1.9bn

- against losses of FFr2.1bn in 1994 - in UIC, the property division formerly controlled by CIC, and of FFr1.7bn, compared with FFr3.7bn previ-ously, in its bolding and this year.

insurance outside France rose from FFr140m last time to

CIC, its banking subsidiary, reported net income up from

FFr534m to FFr732m, which

was partially offset by losses of

Golden Greek' who saw

be partly sold off over the coming months as part of a refi-nancing and restructuring plan for GAN.

Mr Bonnaod said GAN atmed

CIC had net assets at the end of 1995 of FFr14.1bn.

He said he wanted GAN to retain a blocking minority stake in CIC to ensure the bank would continue to sell the insurer's products, and said that discussions on the sale were under way with possible French and European purchasers. He suggested the process was unlikely to be completed before the end of

INVESTING IN BIOTECHNOLOGY

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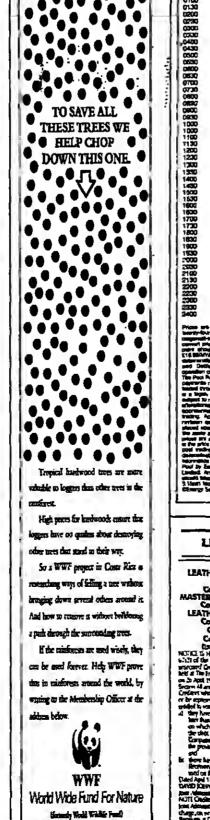
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potential in shipping

OBITUARY: STAVROS NIARCHOS

FFr496

Stavros Niarchos, who has died at the age of 86, was one of the "Golden Greeks": a small group of shipowners whose success in operating super-tankers and diversifying into property development, finance and banking put them on the Fortune 500 list of the interna-

tionally wealthy. A cool, distant figure even to his closest associates, Niarchos eschewed publicity, in contrast to Mr Aristotle Onassis, his business rival for more than 20 years. But he enjoyed a similarly flamboyant lifestyle, Tina_ marked by lavish hospitality and conspicuous spending on female companions, luxury yachts and a private Greek island. Stavros Spyros Niarchos was born, the son of a merchant, on July 3 1909. He left school at 14 because of his father's bankruptcy, but at the peak of his career Niarchos controlled the biggest Greek-owned merchant fleet, numbering almost 80 ships. He leaves one of the largest private fortunes, esti-

mated at more than \$5bn, which, in addition to 27 tankers, includes a fabled yacht, the Atlantis, and renowned collections of Impressionist and classical Greek art. "Niarchos shared with Onassis a strategic vision of the shipping industry's potential

and boundless personal ambi-tion. Both had an edge on other Greeks in the industry because they acquired an international outlook early on." one former associate said. Niarchos joined his uncle's shipping business in Piraeus before the second world war. After the first vessel he owned was sunk in a German air raid, he left for New York with an insurance payment of \$1m. He joined the Greek navy and was honorary naval attache at the Greek legation in Washington for three years after the war. Niarchos's early career was shadowed by the sinkings in suspicious circumstances of several elderly vessels, registered in Panama to avoid pay-ing US taxes. Nonetheless, he qualified for one of the 300 "Liberty" ships purchased by the Greek government from

the US Maritime Commission after the war and distributed to Greek owners who lost vessels as a result of enemy devoting more time to other

Niarchos and Onassis at first. activities, including stud farms Competed to buy additional, in Kentucky and Normandy, "Liberty" ships laid np by US and collections of jewellery, authorities. But freight rates antiques and, paintings -'rose strongly through the 1950s, as a result of the Korean Way and the Suer rates (Corb) War and the Suez crisis, enabling both men to start

ordering new ships. They moved into tankers partly through the influence of Stavros Livanos, Greece's first large tankar owner and father-in-law to both. Marchos married Edgenie Livanos and Onassis her younger sister Niarchos and Onassis pio-

neered the supertanker, which introduced economies of scale to oil-transporting, borrowing heavily to build ships at government subsidised Asian yarda. "Supertankers were immensely profitable at first. You could recoup your entire investment in just three or

four voyages," said a former Niarchos executive. Persuaded to invest in Greece by the pro-business prime minister, Konstantinos Karamanlis, Niarchos established Hellenic Shipyards near Athens in 1956, to repair and

build ships for himself and other Greek owners. The colonels' junta continued the practice of courting shipowners: Niarchos took control of the state-owned Aspropyrgos refinery in 1970 under a conces-sion that included the

long-term supply of crude oil to other Greek refineries and the right to sell refined products on the domestic market. However, Niarcbos was forced to sell the refinery back to the Greek state after the return of democracy.

The damage to Niarchos's reputation caused by his close association with the junta was reinforced by the mysterious death in 1970 of his wife Eugenie on Spetsopoula, his private island. Manslaughter charges against Niarchos were dropped, reported to be as a result of political pressure. Soon afterwards Niarchos announced a \$45m new investment in his shipyard and refi-

The death of his arch-rival Onassis in 1975 deprived Niarchos of direct competition at a time of deep recession in the shipping market. Niarchos allowed his fleet to shrink,

Gogh. Niarchos's property holdings

say much about his business style. Apart from Spetsopoula. where he entertained business associates and the international jet-set, they include an office block in Monte Carlo, several chalets and an hotel in St Moritz, and homes in Normandy, Antibes and the Caribbean.

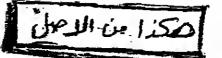
However, Niarchos sold Helleuic Shipyards, the largest of four yards set up in Greece by expatriate shipowners, to the Greek state after a socialist overnment took power. Profits declined as the Niarchos fleet dwindled, while labour disputes encouraged other shipowners to repair their vessels elsewhere.

Niarchos's generosity to loyal employees - he onca rewarded three executives by handing over one of his ships -was matched by extravagant formal hospitality. His preferred companions were European aristocrats, although he also formed a firm friendship with the ballet dancer Rudol Nurevev.

Nlarchos grew reclusive after back surgery in 1991 made walking difficult, but stayed in close touch with his business affairs. His interest in shipping recovered with the purchasa of a double-hulled supertanker and discussions last year on building two new supertankers at the Daewoo yards in Korea.

Unlike many Greek ship owners, Niarchos was willing to delegate the day-to-day running of his fleet and other activities, while retaining control of strategic decisionmaking. Recently his three sons from the marriage to Eugenie - Philippos, Spyros and Constantine - have been playing a larger role in managing the Niarchos holdings from St Moritz and London Maria, the daughter from the same marriage, runs the borse breeding business. Constantine, the youngest son, is expected to take over the shipping opera-

Kerin Hope



COMPANIES AND FINANCE: EUROPE

Nonnais stake SAP sees 40% profits rise as 'realistic'

By Wolfgang Münchau in Frankfurt

SAP, the German business software gronp, yesterday sought to end the confusion about its business outlook with a forecast that net profits would rise at least 40 per cent this year. The forecast followed yester-

day's release of the first quarter results for 1996, which showed a 40 per cent rise in turnover to DM690m (\$457m) and pre-tax profits up 62 per cent to DM117m.

Despite its relatively modest turnover, SAP is among the highest valued German companies, with a market capitalisation of more than DM20bn; larger than Dresdner Bank, Volkswagen and BMW. International investors, in particular, have taken a strong interest in the company.

L'Oréal raises dividend as

earnings rise to FFr3.4bn

On Monday a senior company executive created confusion by rejecting some ana-lysts' forecasts of a 50 per cent profit growth for this year as too optimistic. Mr Dietmar years, about 9 per cent of pre-tax profits tended to arise in Hopp, chairman, yesterday

reaffirmed that assessment the first quarter and almost 50 while giving a figure of 40 per per cent in the last quarter. cent, thus leaving himself only a small margin of error. Underlining a policy of conservative forecasting, Mr Hopp

Mr Hopp said "one cannot expect that SAP will achieve a warned against a weighted extrapolation of first-quarter figures, which would have yielded a pre-tax profit forecast of between DMI.1bn and DMI.2bn for 1996. Last year profit increase of 50 per cent. But we work on the assumption that 40 per cent or more is realistic". The share price, which fell 7 per cent on Mon-SAP earned DM674m pre-tax day, yesterday gzined DM8.50 to close at DM196.50. Doubts about SAP's pros-pects were raised by Forrester Mr Hopp said that based on Research, the US consultancy. the experience of previous which warned this month that SAP's main product could be outdated by the end of tha

COMPANY PROFILE

Market capitalisation

L'Oréal

Main fisting.

Historic P/E

Gross yield

140

130

Earlings per share

decade. Mr Hopp yesterday rejected the conclusions of the report, pledging to spend DM3bn over the next five years on research and development. He said categorically there would be no successor product to R/S, the company's highly successful client-server busi-

ness software product. R/3 is the world market leader for client-server integrated business software, and constitutes a large part of total sales, which came to DM2.69bn last year.

Ler. Page 14

\$19.0bn

Parie

30.0

0.8%

HE-543

sees further sharp cut in losses By David Buchan In Paris

Air France

Air France reduced net losses - before restructuring costs -to less than FFr1.2bn (\$234m) in 1995-96 and hoped to cut this loss to FFr115m in 1996-97, the state-owned carrier yesterday informed its employees in an internal news-

letter The exact improvement is hard to gauge, because in 1994 Air France switched its accounting period from a calendar year to one ending on March 31 and is not due to finalise its 1995-96 accounts until the end of June. Air France had earlier reported a FFr2.38bn net loss for the 15 months from January 1 1994 to March 31 1995.

According to the partial fig-ures released yesterday, which refer only to Air France itself and exclude its Air France Europe (formerly Air Inter) subsidiary, the airline increased gross operating profit to FFr3.7bn, up from FFr2.7bn in calendar 1994. But it fell short of its

FFr4bn gross operating profit target for 1995-96, largely because of last December's public-sector strikes. On a net operational basis - after depreciation and before financial charges - the airline said it broke even last year, while after financial charges, the net loss was less than FFr1.2bn. The overall net loss for 1995-96 is expected to include a FFr630m charge for reducing

Air France has received FPr15bn in state aid since 1994, and is due to receive a final FFr5bn tranche under a plan agreed with the European Commission. This restricts the airline from increasing capac-ity, in effect prevents it from undercutting its competitors' prices, and requires it to return to overall profit.

The airline put no figure on its total annual turnover in 1995-96, which amounted to FFr20.5km for the first half of this period. But, indicating tarnover was stable, the airline said it hoped in 1996-97 to produce a FFr5bn gross oper-ating profit and a FFr115m net loss, on sales of FFr41.3bn.

NEWS DIGEST Kvaerner completes Trafalgar House deal

Kvaerner, the Norwegian engineering and shipbuilding group yesterday in effect completed its takeover of Trafalgar House, of the UK, announcing it had won acceptance of its 5904m (\$1.37bn) bid from shareholders representing more than 90 per cent of the company's capital. The deal was also given the green light by the European Commission competition Hugh Carnegy, Stockholm authorities.

Harsh winter lifts EVN

An unusually harsh winter lifted pre-tax profit of the Austrian utility Energie-Versorgung Niederoesterreich (EVN) by 46 per cent in the six months to February 29. Pre-tax profit jumped from Sch1.25bn to Sch1.73bn (\$163m), and sales were up 11 per Eric Frey, Vienna cent from Sch6.24bn to Sch6.95bn.

Kühne & Nagel advances

Kühne & Nagel, the Swiss transport group, yesterday reported 1995 net earnings of SFT104m (\$84.55m), 12 per cent up on a year earlier, and said it would further expand its operations this year despite what it called "disappointing forecasts" for the transport market. Sales fell 3.7 per cent last year to SFr5.1bn, hit mainly by a slow-down in Europe and the US and Michael Lindemann, Bonn by the Swiss franc's strength.

Dassault Aviation ahead

Dassault Aviation, which the French government is trying to steer into a marriage with Aérospatiale, yesterday reported an increase in net group profit from FFr429m in 1994 to FFr526m (\$102.54m) last year, despite a 8 per cent sales decline over the same period. The group said last year had brought in FFr14.2hn in new orders, and prospects were for an increase in turnover, given that over the past five years orders had exceeded sales by 20 per cent. David Buchan, Paris

Puma posts 9% rise

Puma, the German sports goods maker, yesterday reported pre-tax profits of DM24.9m (\$16.49m) in the three months ending March, a rise of 9 per cent over the same period last year. Sales rose 9 per cent to DM161m. Proventus, the Swedish investment company which bolds 82.4 per cent of Puma, also said it would reduce its stake to below 50 per cent as part of an effort to make the company more attractive to private investors. For the first time since the company was listed 10 years ago, the annual general meeting decided to pay a dividend of DM6 and DM19 on its prefereoce stock, depeoding on its date of issue. Michael Lindemann, Born

Audi, the executive cars subsidiary of Germany's Volkswagen group, said sales climbed 20.5 per cent to a provisional DM4.7bn (\$3.11bn) in the first quarter of the current year from DM3.9bn a year earlier. Pre-tax profits were DM588.7m. up from DM187.5m. Net profit was DM111m, up from DM22m a year earlier. AFX News, Munich

Navigation Mixte, the French holding company, said its 1995 net losses fell from FFr164m to FFr84m (\$16.39m). The 1995 loss was after a charge of FFr52m for restructuring costs. It said it was targeting a return to breakeven in the current year, if the upturn in oil prices continued. Debt fell FF7362m to FFr1.47bn. AFX News, Paris

SGS-Thomson Microelectronics said net profit in the three months to March rose from \$106.9m to \$175m (\$34.14m). Sales rose from \$778.6m to \$1.03bn. AFX News, Paris

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NED FINANCE: HIROPE

green vale price

reak-even

group, yesterday reported 1995 net earnings, excluding capital gains and losses, np 8.3 per cent at FFr3.40n (\$868.4m). Profits before tax and profitsharing rose 10 per cent to FFT5.9bn, the eleventh consec-

otive year of double-digit growth at the group. The board recommended a bonus share for every 10 shares held, and proposed a dividend of FFr13.30 for the year, up 9 per cent on 1994. Mr Lindsay Owen-Jones, chairman, writing in the

L'Oréal, the French cosmetics

By Andrew Jack in Paris

annual report also released yesterday, said the growth reflected efforts to improve financial management and came despite intense price competition

He also stressed the impor-tance of continuing L'Oréal's policy of spending substantial sums on internal research as the key to its future success. Sales rose 12.1 per cent to FFr53.4bn, largely reflecting the consolidation during 1995 for the first time of its North elabo's sales. American agents, Cosmair Inc of the US and Cosmair Canada. Excluding exchange rate differ-

ences, the increase would have been 16 per cent, and in comparable terms, 6.4 per cent. Of total turnover, 81.7 per cent came from cosmetics, compared with 81.6 per cent

in 1994. A further 17.4 per cent (16.9 per cent) came from its 56 per cent-controlled Synthélabo pharmaceuticals business, and 1.5 per cent from dermatology and other products, unchanged on the previous year.

France accounted for 23.1 per cent of its cosmetics products, against 26.1 per cent previously, and 41.2 per cent, against 43.8 per cent, of Synth-L'Oréal estimated that the world cosmetics market was worth FFr362bn in 1995, which

represented a decline of 3.7 per cent over the previous year. However, expressed in dollar terms, it reflected an increase

of 5 per cent. In the US, the market grew 3 per cent to FFr91bn, in western Europe by 1.2 per cent to FFr120bn, and in the rest of the world by 7.1 per cent to FFr74bn. Demand in Japan fell. 0.5 per cent to FFr68in. The group reported net losses of FFT71m on the dis-

posal of a series of investments during the year, FFr155m in restructuring costs including



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the full write-down of its fourth quarter from Jade Ger-Soréal business in Russia, and many, a cosmetics busine losses of FFr5m during the Lex, Page 14

TF1 expects profit from satellite venture by 2001

By Andrew Jack

The head of France's leading commercial television station yesterday estimated that a new digital satellite service it would belp launch over the coming months should be profitable service. within the next five years.

Mr Patrick Le Lay, chairman) of TF1, which is controlled by Bouygues, the French con-The investment required durstruction group, also confirmed that he was set to be named ing the first 18 months of the project should be FFr1.5bn head of the new organisation. Speaking to a meeting of (\$293m), with a final total in

journalists, he confirmed a the range of FFr2bn to range of details which have FFr2.5hn TF1 will hold 25 per cent of emerged over the past few days concerning a rival satellite serthe shares in the new venture, vice to the one to be launched with other stakes held by at the end of this month by France 2 and France 3, the two state-owned channels, as well as by the privately-held M6 Canal Plus, the pay television He estimated there would be station, Lyonnaise des Baux, an audience of 200,000 within the construction and utilities group, and Compagnie Lanem-bourgeoise de Télévision. the next two years, rising to Im over the next five years.

Mr Le Lay also expressed confidence that there would he sufficient material to broadcast on the satellite channel. arguing that TF1 and the two state owned channels accounted for a high proportion of all French language television output. Executives said that the ser-

vice, which could be launched as soon as the end of this year, would initially have about 30 channels. The basic service will be provided free of charge apart from the rental costs of a decoder from an external

tives of the different shareholders are currently discussing a range of details about how the new organisation will be managed.

be able to broadcast French films about one year after their release in the cinema. This is considerably sooner than is permitted under legisla-

tion for terrestrial broadcastsupplier. The choice of a design of currently granted to Canal satellite decoder is yet to be Plus. -

determined, and representa-

They also said they hoped to

cabin crews.

bek who a shipping

KPN sustained good performance in 1995.

KPN enjoyed an increase in set income in 1995 as compared to 1994. Salas increased by 6.5% to NLG 19.855 million and profits ruse by 10.5% to NLG 2,257 million. Operating iscome went up by 111% to NLG 3,537 million, increasing the cernings per share in 1995 to NLG 4.89 (1994: NLG 4.42).

increased volumes and moderate increases in cests. The growth of sales was driven by increased volumes in virtually all areas of the company's business, especially mobile telecommunications. national telephone services and national mail. The effect of price reductions was more than compensated by volume growth. Costs rose only moderately and contributed to the company's increased profitability.

Efficiency and expansion. KPN devoted continued attention to reorganizations, efficiency and higher quality in 1995. The number of dividend The company also sharpened its focus on national and international expansion, as can be seen by its rapidly growing list of acquisitions in the Netherlands and abroad.

Dividend and payment. The State of the Netherlands sold a second manche of KPN shares in 1995 and now has a minority interest of around 45%. In addition, KPN obtained a listing on the New York Stock Exchange in 1995. The company plans to pay a dividend of NLG 2.60 over 1995 (1994: NLG 2.30). After deduction of the interim dividend already paid out in 1995, the final dividend will be NLG 1.70 per ordinary share.

PIT Post PTT Post recorded sales of NLG 6,080 million in 1995, 6.2% higher than in 1994. National mail sales went up by 4.0%. A 9.0% increase in sales was achieved by PTT Post Media Service, thanks partly to a higher volume of printed matters. A special parcel sump introduced in 1995 has proved a success. EMS, PTT Post's courier company, increased its sales significantly through acquisitions.

an anggone aveant carnadis ber spore.	1995 (S)	1995 :1926-	1994 (1413)	Grac
Total operating reveales	12,382	13,855	18,592	6.81
	2,655	3.537	1548	11.17
Net income	1,408	2,257	2,035	18,97
from smilt	1.51	14.54	13.441	327
Enaings per share	3.85	84.89	fi 4.42	12,67

FIT Telecom. PIT Telecom's sales went up by 7.4% to NLG 13,623 million. The company acquired a stake in SPT Telecom of the Czech Republic and signed an agreement to participate in the Indonesian GSM operator Telkomsel, PTT Telecom announced its entry into the market for multifunctional chipcards in cooperation with Postbank NV. Intensified marketing increased the number of mobile communications connections in 1995 by 192,000 to more than half a million. IPH Habinedia and IPH Label. KPN Multimedia operates in new media, such as Planet Internet. The company achieved sales of There was a strong growth of KPN Kabel's activities in 1995 through acquisitions and the expansion of cable networks in the United Kingdom, the Czech Republic and Poland. The company achieved sales of NLG 262 million in 1995.

Capital expenditure. KPN spent NLG 3,863 million on property, plant and equipment in 1995. PTT Post invested primarily in sorting centers for letters and parcels and PTT Telecom's capital expanditure was directed primairly towards expansion of the infrastructure, the mobile network and ISDN.

Publication of 1935 annual report and more information. KPN will publish its 1995 annual report in the second half of April 1996. The general meeting of shareholders will be held in Groningen on May 9, 1996. Copies of the 1995 KPN annual report are obtainable free of charge. Return the coupon or send a fax on +31 6 0997794 (toll free).

YES, I would like to receive the 1995 KPN annual	l report (svailable from April 17).
Name:	
Company:	
Address.	<u>·</u>
Country:	
Please return this coupon in a scaled envelope to: KPN, Antwoonthummer 585, 7400VB Deviator, The	Netberlands (no stamp required).



NLG 53 million in 1995.

COMPANIES AND FINANCE: THE AMERICAS

AT&T chief under fire over pay

توور محداث القداني بكلوسية محتك المحاد الحادي

By Tony Jackson In Miami

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Mr Robert Allen, chairman of AT&T, came under fire over his pay at an occasionally hostile annual meeting yesterday. However, a motion which opposed the election of directors as a mark of disapproval was easily defeated. Mr Allen's compensation

package, worth up to \$16m, has been criticised for being largely tied to the impending break-up of the company and the resulting loss of some 40,000 jobs.

He was awarded options, notionally worth almost \$10m, when the break-up plan was announced

By Louise Kehor

Feigen when be toid them "our board of directors has failed us". However, the subsequent

Allen

years.

vote, including proxies, was some 94 per cent in favour of the board. Mr Allen said the increase in

Mr Ed Feigen, of the Team-sters' Union pension fund. of \$23bn was larger than for opposed the re-election of any other US company, "Last directors on the grounds that year 1 made essentially what I they had over-compensated Mr was paid the year before," he said. He blamed Mr Allen for the Mr Allen's cash compensafailed acquisition of the comtion last year, including pater company NCR - now

bonuses, was \$5.2m compared being spun off - and the 40,000 with \$5.8m the previous year. job losses, and claimed AT&T's However, he also received options with a notional present value of \$10.8m, of which \$9.7m stock had underperformed the market for the past three worth were tied to the perfor-Shareholders applauded Mr

AT&T's market value last year

mance of the share price in a 3-4 year period after the restructuring. Mr Allen said: "The options today are not worth the paper they are written on. If you as

IBM lifts payout after 'good but uneven' term

sharebolders don't benefit, I don't benefit."

per cent rise in first-quarter earnings to \$1.36bn, or 85 cents a share. Excluding the businesses being spun off, the new AT&T phone services company raised earnings 14 per cent to \$1.44bn,

AT&T also announced a 14

or 90 cents a share. The businesses being divested, comprising the equipment business Lucent, NCR and AT&T Capital, made a net loss of \$81m compared with \$67m last year. NCR's operating loss was \$37m compared with \$172m.

The results of Lucent, which went public three weeks ago with a record-breaking \$3bn share offering, will be released next week.



in opening quarter By Richard Tomkins

in New York

Coca-Cola, the US soft drinks company, yesterday reported a 12 per cent increase in net profits to \$713m in the first quarter, despite economic difficulties in two important markets, Mexico and Argentina.

Earnings per share, boosted hy stock repurchases, rose by 14 per cent to 57 cents, but the result fell just short of the expected 58 cents and the shares slipped \$1% to \$80 in early trading.

Until recently Coca-Cola's shares had risen strongly on optimism about the company's international growth pros-pects. Recently, however, some of that optimism has been replaced by worries about the strength of the dollar and its effects on the translation of

Coca-Cola reported firstquarter volume growth of 7 per cent world-wide. Mr Robert Goizneta, chairman and chief executive, said: "This kind of growth is right in line with our long-term goals, and is a very solid start for what we expect to be another extremely successful year."

growth came from the group's North American operations, where volume rose by 8 per cent. Coce-Cola attributed this to innovative marketing, a boost from its sponsorship of this year's Olympics, and new products such as Barq's, Fruitopia and Powerade. Outside the US, good perfor-

mances came from the Middle and Far East division, which increased volume by 14 per cent, and from Greater Europe, which increased vol-

However Latin America, held back by Mexico and Argentina, increased volume by just 2 per cent, and Africa, hit by unsessonably cold and rainy weather in South Africa. increased volume by only 1

At Coca-Cola Foods, new advertising, packaging and products for Minute Maid, Hi-C and Five Alive helped produce a volume increase of 9

debt-equity ratio from 87 per

"The main objective of the

However, a proposal to

NEWS DIGEST

Bancomer in red after provisions

Grupo Financiero Bancomer yesterday became the first financial group in Mexico's troubled banking system to set aside provisions which cover the full amount of its bad ioans. Bancomer announced it had created extraordinary reserves of 2.76bn pesos (\$372m) against non-performing loans in the first quarter of 1996. As a result, the financial group reported a Lassbn peso loss for the quarter. Before provisioning, however, Bancomer posted net earnings of 897m pesos, against

a 188m peso loss in the last quarter of 1995. Mr Javier Fernandez, chief financial officer, said his aggressive provisioning policy aimed to prepare the bank for stricter accounting practices, which Mexico's bank regulators plan to introduce later this year.

Bancomer's non-performing loans totalled 11 4bn perces, or 9.2 per cent of its total loan portfolio, about half the level of bad debts in Mexico's banking system as a whole. The bank sold 15.6bn pesos of non-performing loans to the government last December in exchange for a commitment to strengthen its Leslie Crawford, Mexico City capital and reserves.

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Strong gains at US brokers

Two US securities bouses, Bear Stearns and Donaldson, Lufkin Jenretic, reported strong earnings for the first three months of 1996, following the trend set by other groups. Bear Stearns earned \$129m in the third quarter to March 28, compared with earnings of \$82.7m a year earlier and of \$105m in the group's second quarter. Earnings per share rose from 60 cents in the comparable quarter and 76 cents in the second quarter to 95 cents. Earnings for the nine months more than doubled from \$151m to \$328m, with earnings per share rising from \$1.05 to \$2.37

DLJ, which was floated last October but is still 80 per cent owned by The Equitable insurance group, reported net income of \$55.1m in the quarter, up from \$37.5m in the same period of 1995, and from \$57.6m in the last three months of 1995. Earnings per share increased from a pro forma 63 cents in the first quarter of 1995, and 93 cents in the last quarter, to \$1.01.

Both firms reported a fall in compensation costs as a percentage of net revenues, although the high level of activity triggered increases in pay. Bear Stearns said compensation and benefits fell from 51 per cent to 49.5 per cent of net revenues for the quarter. At DLJ, the percentage fell from 60.1 Maggie Urry, New York per cent to 57.3 per cent.

RJR chief welcomes vote

Mr Steven Goldstone, RJR Nabisco chief executive officer, said the food and tobacco company could return to running its daily businesses, following a vote in which shareholders overwheimingly defeated Brooke Group's bid to take control of the company. "It's a great day for the company and a great day for shareholders," Mr Goldstone said after the company's Reuter, North Carolina annual meeting.

Cost cuts lift BankAmerica

Echoing the recent headway made by other US banks in improving their operating efficiency, BankAmerica yesterday reported that its costs were virtually unchanged in the first three months of 1996 from a year before. Income of \$720m, or \$1.79 a share - a rise of 18 per cent - exceeded analysis' expectations. Lower staff numbers were in part behind the improvement, BankAmerica employed 94,100 at the end of March. 3,400 fewer than it had a year before.

The bank also benefited from a jump in trading and venture apital profits, and from a \$50m gain on the sale of a business unit. These factors were behind a 17 per cent increase in non-interest income to \$1.3bn. Net interest income advanced 5 per cent to \$2.1bn, despite a small decline in lending margins as the bank borrowed more in the wholesale markets to support lending growth. Richard Waters, New York

Lower prices hit Methanex Methanex, the world's biggest methanol producer, was hit by

in San Francisco International Business Machines yesterday reported stronger than expected firstquarter operating earnings and announced a long anticipated increase in its quarterly divi-

After jumping \$4% to \$120% the computer company's shares came under pressure as analysts expressed concerns about flat revenues in IBM's core hardware businesses and difficult earnings comparisons in coming quarters. By midday IBM was down to \$110%.

IBM's first-quarter performance was "good but uneven" said Mr Lou Gerstner, IBM chairman and chief executive. While revenues from services operations jumped 31 per cent to \$3.2bn, hardware revenues were flat at \$7.7bn. Total revenues for the quar-

ter increased 5 per cent to \$16.6bn, from \$15.7bn in tha first quarter of 1995, Excluding special charges, net earnings were \$1.4bn, or \$2.48 a share, against \$1.3bn, or \$2.12 a share in the same period last year. IBM recorded a charge of

tions of Tivoli Systems and Object Technology International, two software companies. In addition, IBM took a charge of \$236m, or 27 cents a share, for workforce reductions, primarily outside the US. Net earnings for the quarter after charges were \$774m, or

\$1.41 a share. Investors were heartened by a 10 cent increase in the quarterly dividend, to 35 cents, bnt the company acknowledged some negative trends that had an impact on first-quarter performance and are likely to \$435m. or 80 cents a share, influence earnings throughout the rest of the year. related to its recent acquisi-

Unfavourable currency translations, particularly between the US dollar and the Japanese yen, shaved about 2 cents a share off first-quarter earnings, but are expected to hit second-quarter earnings much harder, by about 25 cents a share, said Mr Rick Thoman, IBM chief financial officer. Moreover, IBM's core main-

frame and mid-range computer businesses are in the midst of long-term transitions to new technology. As new models are introduced, sales of existing products decline. Reduced sales of IBM's older bipolar mainframe computers in the

first quarter were, for exam one of the "primary drivers" of lower revenues in that sector, Mr Thoman said. The effects of this transition are expected to last until 1997.

Robert Allen: compensation

package of \$16m criticised

First-quarter revenues were also down for mid-range computers and data storage prodicts, IBM said, while semiconductor revenues wera decreased by a sharp drop in memory chip prices.

In the personal computer sector, growth in Europe and Asia partially offset weakness in the US market, IBM said Overall revenues increased but gross margins declined.

Higher sales volumes help Merck increase 14%

it has made in Europe-

By Richard Waters in New York

A jump in sales volumes helped Merck, the US pharmacenticals company, register a 14 per cent increase in after-tax earnings in the first quarter, although pressure on prices and a greater contribution from its lower-margin Medco business led to a decrease in

profit margins. Merck reported net income of \$864m, or 70 cents a share. The results were underpinned by a 17 per cent advance in volumes, which contributed to a 19 per cent rise in revenues, to \$4.5bn

Among the company's fastest-growing products was

First-quarter US sales of Losec lift Astra shares Shares in Astra, the Swedish pharmaceutical group, were lifted yesterday by news that sales of Losec, its fast-growing anti-ulcer drug, continued to surge in the US in the first quarter, writes Hugh Carnegy in Stockholm.

Astra Merck, the joint venture with the US close at SKr292.50 in Stockholm. group which markets Losec in the US, said sales of the drug leapt to \$415m in the period, an increase of 57 per cent over the same period last year, when sales reached \$265m. The increase was partly due to heavy inventory

Zocor, a cholesterol-lowering per cent increase in revenues to \$605m. Among other big-sellagent, sales of which soared 55 per cent to \$550m. ing drugs, Prinivil saw sales of That made it Merck's second-\$120m, up 20 per cent; Mevacor

biggest selling product, behind sales rose 11 per cent to \$250m Vasotec, which registered a 6 and revenues from Proscar

The Swedish company is expected to show slower profits growth this year after 1995's 25 per cent rise in pre-tax earnings to SKr12bn (\$1.78bn). This is chiefly due to the recent strengthening of the Swedish krona.

> were 9 per cent higher at \$120m. Sales of Pepcid fell 2 per cent to \$255m.

Merck also reported a sharp rise in volumes handled by Medco, its prescription benefits

management company, which also sells other companies' drugs. The number of urescriptions handled by Medco rose to build-up by wholesalers. But Astra said under-56m from 41m a year before, lying sales growth was about 40 per cent as and 47m in the fourth quarter Losec repeated the advance in US markets that of 1995. Astra's A shares rose SKr2.50 on the news to

ing only 2 per cent of the revenue growth, and with the increased activity at Medco, Merck's pre-tax profit margin slipped from 28.7 per cent a year before to 27.3 per cent.

Mr Raymond Gilmartin, chairman, indicated that the per cent. pressure on margins from the low level of price increases had been offset in part by cost controis in both the manufacturing and the selling and administrative areas. f f per cent.

Some of the strongest

With higher prices contribut-

une by 9 per cent.

the seventh successive year."

"Samba achieves record results for

Directors' Report

1995 saw Saudi American Bank's profits increase for the seventh consecutive year reflecting continued success in our strategy of emphasising a process of product and technology innovation focusing on providing superior customer service.

Financial Results

Net nicome for 1995 equals SR 1.072 million (1994: SR 1.014 million: 1993 SR 942 million). The Bank's growth in profits is a realisation of our goal of managing cost growth without sacrificing expansion into these market and product nickes above no believe that SAMBA possesses on inherent advantage. This resulted in growth in both our gross revenues as well as net revenue from funds during the 12211.

We continue to bold a conservative there on managing risks and this approach is aurrored in the increased charge for potential loan lasses of SR 12"." million (1994: SR 72.4 million; 1993: SR 5.1 million) which we consider prindent in line with our expression into neaver husiness areas and to cater for the present economic curriconment. However, the quality of our credit partfolio remains sound and we feel that the here's of our reserves is adomate to absorb the impact of any unforeseen adverse crem ht ibis portfolio.

The Bank's total assets at the year and of SR 40.8 hillion 11994. SR 44.6 hillion: 1993. SR 39.8 hillion: have been relatively stable over the past three years reflecting the Bank's increased focus on fee based products Customer deposits of SR 30.9 Inflion 11994: SR 31.0 Inflion: 1974: SR 30 I billion1 were slightly lower than in previous years while the loan partfolm stand at SR 17.4 billion 11994: SR 17.0 billion: 1993: SR 13.1 hillion 1. The Bank's incestment portfolto of SR 15.4 hillion at the year end 11994: SR 178 hillion, 1995. SR 173 hillion) continues to reflect our bas towards investing in Saudi Government securities and high quality OECD government investment grade bonds.

Our by financial indicators remain excellent, with return on equity of 28% (1994-29% 1993: 32%) which is one of the bighest in the region and currings per share of SR 44.711994; SR 42.3: 1993. SR 19.11

After taking into account the Bank's performance during the year and after retaining adequate funds for jutture expansion requirements, the Board of Directors recommend a gross dividend of SR 628 million for the year 1995. After deduction of Zakat, this will yield a net dividend of SR 25 per sbare to the Sandi sbareholders.

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During the financial year 1995, Saudi American Bank allocated SR 2,042,082 as donations to various charitable, educational and other social causes.

Payments

Directors' remuneration for 1995 totals SR 1,260,000. Attendance fees for Board and Executive Committee meetings equal SR 81,000 and SR 111,000 respectively. Expenses including travel, board and lodging incurred by Directors for attendug meetings of the Board and Executive Committee aniouni to SE 256,160. Compensation of Directors in their capacity as Executive Directors of the Bank amounts 10 SR 2.714.940

In addition to the above, Directors' fees and expenses for SAMBA's overseas subsidiaries amounted to SR 206.217.

Appropriation of Income

The Board of Directors recommends that net income for the year be uppropriated distributed as follows:

	SK 000
Net income for the year	1,071,683
Transfer to Statutory Reserve	1270,0091
Transfer to General Reserve	(170,000)
Proposed Dividend	(628,000)
Transfer to Retained Earnings	3,674

Dividends shall be available for distribution immediately after approval by the shareholders at their Annual Ordinary General Meeting. Dividend claims may be presented for settlement at the Bank's registened bend office or any of its branches.

At the Annual Ordinary General Meeting of the Bank's sharebolders, beld during March 1995, Messrs, Whinney Murray & Co. and Al Juraid & Co. were appointed as joint auditors for the fiscal war ending 31 December 1995. The forthcoming Annual Ordinary General Meeting of shareholders shall re-appoint the existing auditors or appoint other auditors and determine their remuneration for the andit of the Bank for the year ending 31 December 1996.

Financial Highlights

	1995 S8:000	1994 NR 000		1995 S8:000	1994 58'000
Assets			Statement of Earnings		
Cash and Due from Banks	6,521,198	0,951,985	Operating Revenue	1,928,725	1.752.671
Loans and Advances (net)	17,381,077	17.013.375	Less: Operating Expenses	(729,380)	(666,361)
Bonds and Securities Other Assets	15.504.921 1,441,264	17,954,543 1,081,006	Total Operating Income Provision for Loan Lesses	1,199,345 (127,662)	1,086,310
TOTAL ASSESS	40.848.460	43.004.711			(72,366)
Lisbilities and Shareholders' Funds			Net income for the year ended December 31, 1995	1,071,683	1,013,944
Customer Departies	30,892,145	\$1.624.993			
Due to Banks	4,279,457	6.730.559			
Other Labitury	1,600,082	1,030,060			
shareholders' Funds	4,076,776	3/113.093			
Total Liabilities and Shareholders' Funds	40,848,460	15,004, 111			
Contra Accounts	50,355,318	54,100,184			

Talk to the Leader.

البنك السعودي الأمريكي (Saudi American Bank

Hend Officer P.O. Row H&A. Royadh 11421. Tel. 1966) 1114 🐨 4770. Samba London: Nydvinysky House, 65 Ganzon Sc., London: WHY 795, Tel. 1441 (171) 395 4411. Hand Officer P.O. Hill Age in Alertic William Tel. 19112221 30" N." . Samba Genevia: Naulta Pinarke M. 3 & " Rae du Commerce, 1204 Genevia: Tel. (41) (22) 310 24 00. the Atomice, New York, VI Work, International Tel: (90) (11) (00.244 7 Samaha Paulos 5) Arrange Hewine, Parts 75000, Tel: 1331 11 (38 00000).

reshape following **PanAmSat** sale

Televisa plans big

By Daniel Dombey In Mexico City

cent to 54 per cent, according to ING Barings' estimates. It Televisa, the media group that recently refinanced \$200m with a bridging loan. has 80 per cent of Mexico'e television market and 70 per cent of its magazine sector, is planning a big reorientation after its planned sale of its 40.5 However, the company has not firmly established its plans for a 3.4bn peso loan extended by Banamex, Mexico's largest per cent stake in PanAmSat, a bank, which eubjects it to private satellite operator. The sale could raise up to Mexico's high interest rates but may carry a fine to dis-

\$1.3bn, from an initial investcourage prepayment. ment of \$200m. The company, which is also

company by disposing of these thought to be looking to divest assets is to deleverage the comother assets such as cable TV, plans to invest between \$100m pany and to support our proj-ect with DTH," said Mr and \$160m in a Direct To Home (DTH) satellite TV venture cov-Other possible disposals include Televisa's paging con-cern, SkyTel, which might ering most of Latin America. and is looking to build a net-work of border stations to raise up to \$30m, and its 30 per broadcast English languaga cent stake in the US Spanish

language cable service, Univi-sion, which could raise a furservices to the US. "It's a great opportunity to go back to our core business, which is programming," said Mr Guillermo Cañedo White, Televisa'a executive vicether \$300m. sell its remaining 51 per cent etake in cable operator Cablevisión may arouse more president and chief financial omcer. concern. Last year, Televisa However, soap operas, tradi-

raised \$131m by selling 49 per cent of Cablevisión to Telmer, tionally Telavisa's biggest money-spinner, will remain at the heart of its business. the likely purchaser of the remaining stake. The plans to reshape the

Cablevisión has not been per-forming particularly well: reve-nues fell 23 per cent in 1995. company follow a year of crisis mansgement. Following Mexico's currency devaluation Telmex and Televisa were and economic slump, Televisa steadied sales in the advance upset by accusations of a monopolistic deal; and Televispayment scheme that accounts a'a relationship with Grupo Carso, Telmex's controlling for most of the company's television revenues, though sales group, has altered as Carso has for the group as a whole fell 9.8 increased its investment in other media companies. per cent to 8.Son pesos (\$1.2bn) for the year. However, a parting of the

"We had to deal with a very difficult situation," Mr Canedo ways between the two companies would leave said. "But at the end of 1995 we Televisa with less access to had a chance to rethink strat-Telmex's enormous client data egy according to the new envibase - an asset which would be of great use in Televisa's Tomment "

Investors have already fiture plans. "If Telmex and Televisa were pushed Televisa's shares up 12 to go their separate ways, it would be had news for the per cent since its announcement on April 2 that it was DTH programme, because Telcontemplating selling its stake evisa would know less about in PanAmSat. However, there the market," said Mr Shayne are indications that a cable McGuire, an analyst with ING television joint venture with Barings in Mexico City. The DTH project, which is in Teléfonos de Mexico (Telmex), the country's dominant telephone company, may not be prospering, which could Mundoch's NewsCorp, O Globo dampen enthusiasm. of Brazil, and TCI, the US cable

The company's \$1bn debt has operator, would provide Latin been a burden. Televisa wants - America with a service similar to pay off a surobond debt of to BSkyB in Europe and should to pay off a survoying dear of a station is the part of only a station is \$400m, which should cut its come into full operation in the the northern city of Tijuana.

sharply lower product prices in the first quarter, posting net profit of US\$14.4m, or 8 cents a share, down from \$160.3m, or 83 cents, a year earlier, on revenues of \$218m against \$542m. World methanol prices, hurt by over-supply, averaged \$141 a tonne in the quarter against \$144 a year earlier. Prices have firmed slightly in the US in recent weeks, said Methanex. Robert Gibbens, Montreal

US groups quiet on merger talk Bell Atlantic and Nynex, two of the largest US regional

telephone service companies, declined to comment vesterday on reports that they are close to agreement on a \$22bn merger. The companies, which have adjoining territories in the north-eastern portion of the US, have been rumoured to be in alliance discussions for several months.

Renewed reports of a Bell Atlantic-Nynex merger followed the announcement earlier this month of the merger of Pacific Telesis of California and SBC Communications, formerly known as Southwestern Bell, based in Texas. The trend toward mergers in the US telecoms industry follows the recent passage of legislation which liberalises the industry and allows local and long-distance operators to compete in each other's markets.

Both Nynex and Bell Atlantic have recently announced aggressive plans to offer long distance telephone services in markets outside their established regions. They have previously merged their cellular telephone operations. If Nynex and Bell Atlantic did merge, the combined company would have annual revenues of \$27bn, making it the second-largest US telecom company, after AT&T.

Louise Kehoe, San Francisco

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Severe winter hurts Allstate

The severe winter weather in the US earlier this year dented The severe winter weather in the US earlier this year dented earnings at Allstate, the country's biggest provider of home and car insurance. A 22 per cent fall in after-tax profits to \$424m, or 94 cents a share, came despite a pick-up in revenues in its property-liability operations. Revenues in the business rose 9 per cent to \$5.1bn in the period. The weather-related losses during the period looked particularly severe when compared with the exceptionally mild conditions of a year before the company said before, the company said.

Operating income in the property-liability unit was 32 per cent lower, at \$259m. Alistate's overall performance was strengthened by an 8 per cent improvement in operating income from its life insurance business, to \$94m, and after tax capital gains of \$76m, up from \$56m a year before.

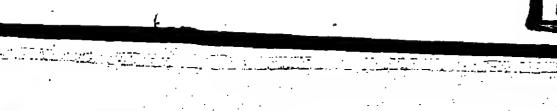
Richard Waters

third quarter this year. Tele isa has a 30 per cent stake the venture. However, debt repayme and the DTH venture ma account for only half of th

prospective PanAmSat pr ceeds. Other proposals under co sideration may include a sha buy-back programme, an investments in television st tions on Mexico's northern be der, which would broadcas English language soap opera to the southern US.

Televisa has been trying break into the Englisb-la guage soap opera market for a least a year, and may spen between \$160m and \$170m lab this year to buy a station

	GBP 10,000,000
	YORKSHIRE BUILDING SOCIETY
	Floating Rate Subordinated Notes due 1999
	Interest Rate 6.8125% Interest Period April 15th, 1996 July 15th, 1998
	Interest Amount due on July 15th, 1996 per
	GBP 100.000 GBP 1,893.82 BANQUE GENERALE DU LUXEMBOURG -
ł	Agent Bank



MORGAN STANLEY & CO.

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All of these securities having been sold, this announcement appears as a matter of record only

U.S. \$3,025,000,000

Lucent Technologies

112,037,037 Shares

Common Stock

Joint Global Coordinators

GOLDMAN, SACHS & CO.

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MORGAN STANLEY & CO.

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.7 14,000,000 Shares

this forthin of the offering was offered outside the United States and Canada by the undersigned.

GOLDMAN SACHS INTERNATIONAL

HSBC INVESTMENT BANKING

SOCIETE GENERALE

MERRILL LYNCH INTERNATIONAL DEUTSCHE MORGAN GRENFELL PARIBAS CAPITAL MARKETS SBC WARBURG **UBS LIMITED** A Division of Swiss Bank Corporation BEAR, STEARNS INTERNATIONAL LIMITED **CSFIRST BOSTON** J.P. MORGAN SECURITIES LTD. PAINEWEBBER INTERNATIONAL ABN AMRO HOARE GOVETT ARGENTARIA BOLSA CAZENOVE & CO. CIBC WOOD GUNDY PLC COMMERZBANK AKTIENGESELLSCHAFT CREDIT LYONNAIS SECURITIES

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98,037,037 Shares

This portion of the offering was offered in the United States and Canada by the undersigned.

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BEAR, STEARNS & CO. INC.

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DEAN WITTER REYNOLDS INC. ALEX. BROWN & SONS DEUTSCHE MORGAN GRENFELL DILLON, READ & CO. INC. DONALDSON, LUFKIN & JENRETTE rities Corporal A.G. EDWARDS & SONS, INC. HAMBRECHT & QUIST LLC LAZARD FR RES & CO. LLC **LEHMAN BROTHERS MONTGOMERY SECURITIES OPPENHEIMER & CO., INC.** PRUDENTIAL SECURITIES INCORPORATED PARIBAS CAPITAL MARKETS **ROBERTSON, STEPHENS & COMPANY LLC** SALOMON BROTHERS INC SCHRODER WERTHEIM & CO. SBC CAPITAL MARKETS INC. SMITH BARNEY INC. **UBS SECURITIES LLC** WASSERSTEIN PERELLA SECURITIES, INC. ADVEST.INC. ARNHOLD AND S. BLEICHROEDER, INC. ROBERT W. BAIRD & CO. SANFORD C. BERNSTEIN & CO., INC. WILLIAM BLAIR & COMPANY J. C. BRADFORD & CO. EVEREN SECURITIES, INC. DAIN BOSWORTH COWEN & COMPANY FIRST OF MICHIGAN CORPORATION FURMAN SELZ LLC GRUNTAL & CO., INCORPORATED INTERSTATE/JOHNSON LANE Corporation JANNEY MONTGOMERY SCOTT INC. EDWARD JONES LEGG MASON WOOD WALKER Incorporated McDONALD & COMPANY NEEDHAM & COMPANY, INC. Securities, Inc. **RAGEN MacKENZIE** PIPER JAFFRAY INC. RAUSCHER PIERCE REFSNES, INC. THE ROBINSON-HUMPHREY COMPANY, INC. RAYMOND JAMES & ASSOCIATES, INC. SCOTT & STRINGFELLOW, INC. STIFEL, NICOLAUS & COMPANY WHEAT FIRST BUTCHER SINGER SUTRO & CO. INCORPORATED CROWELL, WEEDON & CO. M.R. BEAL & COMPANY GERARD KLAUER MATTISON & CO., LLC FIRST MANHATTAN CO. GABELLI & COMPANY, INC. GUZMAN & COMPANY WR LAZARD, LAIDLAW & LUTHER INC PARKER/HUNTER PRYOR, McCLENDON, COUNTS & CO., INC. MURIEL SIEBERT & CO., INC. April 1996

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COMPANIES AND FINANCE: ASIA-PACIFIC/INTERNATIONAL

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Net profit

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San Miguel shares drop sharply on profit warning

workers.

15 per cent decline.

By Edward Luce in Manda

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San Miguel, the Philippines' largest beer and consumer goods company, saw its shares tumble almost 10 per cent yesterday after senior executives warned of a deteriorating profits outlook.

The company said that rising interest payments on international investments and flat sales of beer would depress first-quarter earnings. San Miguel's B shares, which

are open to foreign buyers, fell 7.5 pesos to 78.5 pesos at yesterday's close, as the markets reacted to the company's forecast. The company has lost 22 per cent of its share value since Jannary, leading to a sharp drop in its market capi-talisation from 133bn pesos to 105bn pesos (\$4bn). It has also dropped from first to third in

market rankings this year as San Miguel's performance other blue chips have benefited

is being punished heavily. from the Philippine stock At a debt-equity ratio of exchange's overall buoyancy. 1:1.15, San Miguel's interest liabilities are steep and rising. "We are recommending for the first time ever that our cli-ents sell San Miguel shares." The company, which last year embarked on a five-year, 40bn said Mr Ramon Borja, a peso international expansion researcher at Dharmala Securiplan, including new breweries ties in Manila. "The company in China. Indonesla and has built up quite steep inter-Vietnam, says its medium-term est payments and is likely to outlook is nevertbeless suffer more from depressed bright.

demand for beer and other However, with rising input prices for its beer and conproducts among agricultural sumer goods products, and flat San Miguel, which posted net or marginal rises in rural conearnings of 5.38bn pesos last sumption owing to zero growth year, 9 per cent np on 1994, is in the agricultural sector in expected to see a net profit drop for the first three months the last 18 months, the outlook for the remainder of 1996 is of 1996. Analysts' forecasts bleak. Analysts said the comvary between a 5 per cent and pany's 1996 earnings would

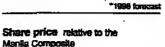
probably be flat. The company is also ham-In a market where corporate earnings are growing by an strung by a longstanding disaverage of about 20 per cent, pnte with its former chairman,

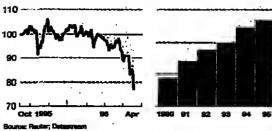
Market capitalisation \$4.2bn Main listing Manila THistoric P/E 13.5 Gross yield 0.7% Earnings per share 3.5 perces

L Current share price 78.5 pesos

COMPANY PROFILE:

San Miguel





Mr Eduardo Cojuangco, over ownership of a large stake in San Miguel. A state of the company to rely on the debt markets for raising The battle has prevented San capital.

Seiyu earnings doubled on cost and staff cuts

By Emiko Terazono in Tokyo

Selyu, a leading Japanese snpermarket . operator, announced strong earnings growth for the 12 months to February, helped by an exten-sive restructuring programme. The retailer posted unconsolidated recurring profits for retirees and financial sopbefore extraordinary items and its finance subsidiary - with special profits of Y41.4bn tax - of Y8.1bn (\$74.9m), up 96.9 per cent on the year, although its revenues fell 0.9 secured from asset sales. per cent to Y1,023.4bn. Net profits rose 75.6 per cent to cent to Y222bn and household

The company reduced the number of sales outlets and cut foods department rose 1.5 per personnel costs. while the cent to Y422.5bn improvement of the balance on On a consolidated basis, the financial items also helped company's recurring profit fell 48.7 per cent to Y9.1bn on a 2.7 boost profits. The retailer manper cent drop in revenues to Y1,292.7bn. The company saw a aged to cancel out most of its extraordinary losses of Y45.3bn

- including special allowances net loss of Y6.3bn. For the year to next February, Seiyu plans to close five to port for Tokyo City Finance, seven existing stores and open three new outlets. Non-consolidated current earnings are Clothing sales fell 1.5 per expected to rise 47.8 per cent to Y12bn because of a rise in goods sales dropped 3 per cent gross margins and further cuts

to Y175.3bn. Revenue in its in personnel and operation costs while sales are expected to rise 0.6 per cent to Y1,030bn. Consolidated current profits are expected to rise 64.8 per cent to Y15bn on a 2.1 per cent increase in revenues to Y1.320bn Meanwhile FamilyMart, a

convenience store operator and a Seivu subsidiary, reported increases in sales and profits as a result of strong performance in prepared foods and increased sales of its own brand products. The retailer saw an 11 per

cent rise in unconsolidated recurring profits to Y20.1bn on an 11.7 per cent rise in sales to Y543bn. Net profits rose 27.2 per cent to Yilbn. On a consolidated basis, FamilyMart posted a 10.8 per cent rise in recurring profits to Y20bn on a 50.8 per cent rise in sales to

Y128.5bn. Net profits rose 28.3 per cent to Y11.1bn. For the full year to February, the retailer expects unconsolidated recurring profits to rise 8.3 per cent to Y22.3bn on a 15 per cent rise in sales to Y624.3bn

Anglovaal Minerals ahead 59% in quarter By Mark Ashurst

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in Johannesburg

Anglovasi Minerals, the South African gold mining finance house, yesterday posted a 59 per cent rise in total after-tax profit to R55.4m (\$13.1m) for the quarter ended December 31 1995

The improvement was the result of a higher bullion price and a strong performance at its flagship mine.

Analysis said that the benefits of cost reduction programmes introduced last year were reflected in lower working costs at the group's Hartbeestfontein mine, which reported an after-tax profit up from R27.8m to R48.6m.

The average production cost per kg fell to R38,888 from B40,100, while the average gold price received rallied to R48,295, compared with R44,727.

Capital expenditure fell to R6.2m, from R8.3m, in line with the industry trend.

"They are holding back [on spending] because they need to show returns and give investors some relief. A shift towards more capital expenditure will come if the [gold] price holds," said Mr David Hall, head of research at ING Barings.

Loraine mine returned to profitability after a loss of R1.8m in the previous quarter. Profit after tax was R2.5m, as the average yield increased to 4.5g a ton from 4.3g.

A fall in overall production to 1,563kg from 1,681kg, due to a two-day strike in early January, was offset by the higher price received. This resulted in a working profit of R2.2m, after a loss of R3.8m in the December quarter, and a rise in capital expenditure to R1.5m from R1.3m.

Analysis expected the mine's performance to improve in subsequent quarters, subject to the outcome of wage negotiations. But production costs, which fell from R48,148 to B47,612 per kg were still con-

sidered high. Mr Rob Wilson, chairman, confirmed that spending forecasts for exploration were flat at between R16m and R20m a year.

The ore body near Loraine is expected to provide Anglovaal's staple income when reserves at Hartbeestfontein are exhausted after 2005.

Eastern Transvaal Consolidated Mines reported a 41 per cent drop in after-tax profit from R7m to R4.1m, as heavy

rains and power failures

NEWS DIGEST Lend Lease set to buy 25% of Mirvac Lend Lease, the Australian property and financial services

group, has agreed to buy shares and options which will eventually give it a 25 per cent stake in Mirvac, another local property development group. The deal is a friendly one, with the shares coming from Mirvac's founding chairman, Mr Henry Pollack, and Lend Lease being invited to appoint a director on the Mirvac board. Lend Lease has picked not the raise its stake above 25 per cent unless a third party makes a bid for Mirvac, or an existing shareholder, with more than 14 per cent of the equity, goes above 15 per cent.

The two companies have co-operated on a number of developments, including residential projects in Auckland and Melbourne, and are collaborating on a bid for the Sydney Olympic Village project.

Lend Lease is buying 28m shares at A\$1.15 each, and subscribing for up to 11.6 convertible notes, which can convert at A\$1.30 a share. Total expenditure on the deal will not exceed A\$18m (US\$37.8m). Mirvac shares closed unchanged on the day at A\$1.45, having reached a high of A\$1.61. Nikki Tau, Sydney

Comalco near decision on unit

Comalco, the Australian-listed aluminium group controlled by RTZ-CRA of the UK, said it would decide next month on its preferred location for a new alumina refinery, estimated to cost more than A\$lbn (US\$787m) to develop. A full feasibility study would then be conducted.

The company has large bauxite resources at Weipa, in the far north of Queensland, and either Gladstone, on the state's east coast, or Weipa have been viewed as the most likely sites, although overseas locations have also been considered. The facility would probably have an initial capacity of around 1m tonnes a year.

Speaking at the company's annual meeting in Melbourne, Mr Leigh Clifford, Comalco's new chairman, said he saw only modest growth in demand for aluminium for the rest of the year, but added that the longer-term outlook appeared "more favourable", with demand underpinned by economic growth in Nikki Tail most of Asia.

North Flinders ahead in term

North Flinders Mines, part of Mr Robert Champion de Crespigny's Normandy group, yesterday announced a profit after tax of A\$27.3m (US\$21.5m) in the nine months to Nikki Tait end-March, up from AS22.8m a year earlier.

Spicers buys fine paper group

Spicers Paper, the Australian paper group in which Amcor holds a 42 per cent Interest, is to buy Intercontinental Forest Products, a group of fine paper distribution companies in Singapore, Malaysia and Hong Kong, for S\$70m (A\$63m). The seller is the Singapore-listed Inno-Pacific group. Nikki Ta Nikki Tait

Kyocera upbeat for year

Ryocera, the Japanese ceramic maker, said it expected its parent company revenue and pre-tax profit to rise strongly during the current financial year on the back of buoyant sales of personal handy phones and a favourable yen rate.

Kyocera declined to confirm figures reported earlier by the Nihon Keizai newspaper, which said the company expected to post a parent pre-tax profit of Y105bn (\$971m), on revenue of about Y520bn. The company is soon to report its financial results for the 12 months to March 1996, It said it expected to post a parent pre-tex profit of Y92.0bn, on revenue of Y472bn. AFX-Asia, Takyo

CBA sets date for vote

Shareholders in Commonwealth Bank of Australia will be asked to decide on May 14 on the bank's proposed A\$1ba share buy-back plan - to be conducted in conjunction with the federal government planned stock market flotation of its remaining 50.4 per cent holding in CBA. If all the government's remaining shares are sold in one tranche, it will be one of the largest privatisation transactions undertaken in

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FINANCIAL TIMES THURSDAY APRIL IS 1996

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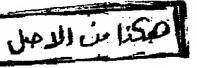
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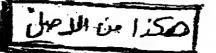
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the next month or so.

Smiths Industries ahead

cal connectors, and Level 1,

which makes medical equip-

COMPANIES AND FINANCE: UK

Prudential strikes upbeat note as sales rise

By Alison Smith, Investment Correspondent

Prudentisl, the UK's largest life assurance and investment group, expressed optimism about prospects for 1996 as it announced increased sales for the first quarter of this year compared with the same period in 1995. The Pru's upturn is likely to

Smiths Industries, ths

aerospace, medical equipment

and mdustrial group, yesterday

vowed to continue its four year acquisition programme after

contributions from new subsid-

iaries helped lift first-half prof-

advanced avionics, drug deliv-

ery systems and products for the construction industry -

saw pre-tax profits increase

from £58.2m to £69.5m (\$105.64m) on sales of £486.2m

(£413.6m) in the six months to

The company - which makes

its by 19 per cent.

February 3.

By Tim Burt

years. Mr Peter Davis, chief execube a sign that UK life compa-nies should see some rise in tive, was particularly pleased

sales when first-quarter figures that sales of lump sum prod-for the sector are published in ucts were at their highest for the sector are published in quarterly level for more than Within the overall increase two years. "We are increasat the Pru there was a trend ingly optimistic about sales for

towards a greater emphasis on the rest of the year." lump sum policies and away from products where the cus-In the UK, the Pru's sales of lump sum life, pension and tomer has to make a commitinvestment policies ross by ment to pay set amounts just over one-third to £866m, regularly over eevsral more than making up for s slight drop in sales of regular premium policies, which slipped to £71m.

Lindh, appointed chairman of the division in February, was

Worldwide, its sales of lump sum products rose 12 per cent to £1.61bn, while sales of regular contribution policies rose 4 per cent to £127m.

Mr Jonathan Bloomer, finance director, said the shift towards single contribution products was structural, although it was too early to say whether it was permanent. He said that one possible reason for it was that customers felt uncertain about the future.

and so were reluctant to commit themselves to long-term policies.

The Pru's positive comments on its prospects were generally shared by analysts, although there was slight concern that the greatest areas of growth appeared to be in policies such as annuities and Peps which have lower margins than some other products. sector

Mr Roman Cizdyn, insurance analyst st Merrill Lynch, said: up at 454p.

"There is a strong impression that there is a head of steam behind these figures. UK sales probably need to pick up a bit more, but they have the single premium business doing well." Mr David Nisbet, insurance analyst at NatWest Markets. said the rise in the Pru's sales would probably be in line with the rise in sales across the life

Pru shares rose closed 8p to

Signet advance bodes well for disposal plan

By Simon Kuper

Signet, the jeweller, yesterday increased its negotiating hand in talks to sell its UK chains when it reported better than expected group profits for the year to February and 34 per cent sales growth at its Ernest Jones stores since the year

Signet put its UK arm - the H Samuel and Ernest Jones chains - up for sale in January. Argos, the catalogue retailer and Goldsmiths, the jeweller, are among the bidders. Signet is believed to be seeking £300m (\$456m) for the chains, and analysts said yesterday's figures would heve made this price more feasible. Some said the sale price would benefit from the recent upgrading of retail stocks as consumers had begun shopping more.

Group pre-tax profits for the year to February 3 tripled to £25m, although the previous year's £8.1m was depressed by a £6.3m loss on the disposal of the Salisburys handbag chain. Sales fell 3 per cent to £894.7m. UK operating profits on con-

tinuing businesses after group and other costs rose 12 per cent to £18.1m. Operating margins in the UK rose from 6.9 to 8 per cent, but like for like sales fell 1.5 per cent to £336.8m. The decline came at the H Samuel chain, while sales at the premium Ernest Jones stores rose

slightly. The sales rise at Ernest Jones in the current financial year followed s modernisation of its stores. Mr James McA dam, Signet chairman, said this boded well for a similar revamp planned at H Samuel

this year. One analyst said that with UK operating margins likely to "nudge double digits" this year, a buyer of the chains could add little value. "You are not buying something that is bombed out and has an amazing recovery process ahead of it," he said. Signet's net debt et the year

end was £308.2m, compared with £333.5m. The group also owes preference shareholders £135m in unpaid dividends, up £42m on the year, whils redeeming their shares would cost £370m.

seeking further gains through

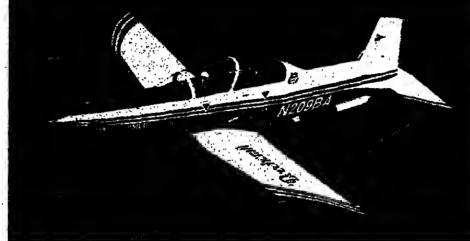
worth \$22m - Smiths will sup-ply cockpit equipment for 141 Raytheon Beech Mkli primary industrial division, which trainer aircraft (right) ordered by the US Air Force and US Navy. The total programme involves 711 aircraft over 20 See Lex, page 22

Sir Roger Hurn, chairman and chief executive, said the group would seek further bolt-on deals, likely to be financed from cash flow and bortowings rstionalising its European operations and integrating some manufacturing plants. Aerospace showed a modest rise from E164m to £17.2m. Smiths yesterday said its aerospace division had won Smiths' firepower should be increased in the second half by orders worth more than \$100m s £14m exceptional gain on the sale, last year, of its non-core from Raytheon, the US sircraft manufacturer. housing portfolio, wiping out its £13.5m first-half borrowings. The sharpest first-half Under the initial contract growth was recorded by the

defied sluggish conditions in About half the increase was the construction industry to contributed by recent acquisi-tions such as FRB, the manulift profits by e third from £16.2m to £21.6m. facturer of specialised electri-Sir Roger said that Mr Einar

ment

borrowings.



Dividend payment



At the Annual General Meeting of Shareholders held on April 17, 1996, the dividend for the funancial year 1995 was fixed at NLC 1.28 for each ordinary share (pai value NLO 2). As an interim dividend of NLG 0.32 was already made payable, the final dividend will be NLG 0.96.

The undersigned hereby states that payment of the final dividend of NLO 0.96 per NLG 2 share on the Bearer Depositery Receipts (BDR's) issued by the undersigned will be made as from April 28. 1996 as follows

- upon the summer of divideod coupon no. 6: 6 cash divident of NLG 0 64 per NLG 2 share. less dividend tax at 25%

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of NLG 0 32 per NLG 2 share or twin BDR's chargeable to the paid in surplus (qualifying for the 1998 dividend). Dividond coupons may be tendered for payment or conversion at

> the offices of the ABN AMRO Bank N.V., MeesPlerson N.V. Internationale Nederlanden Bank N.V. and Kempen & Co. N.V. in Amsterdam, the Notherlands. Davidend coupons must beer the stamp of the office through which they are tendered.

The dividend pertaining to BDR's of the CF-type will be paid via the body by whom the dividend shoet was hold on April 17. 1996 in accordance with the conditions of administration.

If huidous of BDR's out for the dividend of NLG 0.96 in cesh. payment less devicent tax at 25% will be made upon the surrander of dwidend coupons no. 8 and 9. In at list as holders of BDR's opt for the dividend of 1% in BDR's

chargeable to the pard-in surplus, the surrender of dividend coupons no 9 and relating to 100 ardinary waters will emilie the bolder to receive one new SOR for one share, bearing dividend umbered from 10 onwards and a talon.

It any divisiond coupons no S are not tendered for conven-BOR's by June 11, 1996, the BDR's to which they relate will be sold and the net proceeds of the sale be held at the disposal of the huiders of these BOR's in proportion to thoir holding.

Commission in accordance with the scoles (aid down will be paid to members of the Amsterdam Stock Exchange Association in connection with the conversion of dividend coupons no. 9 into now BDR 5, this implies that holders will not incur commission charges upon conversion.

Spenting Administrate Lan Austriev Kounikiske BalsWessanen, Amsterdam, April 18, 1996

> Forthcoming Asia

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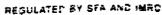
business principle. Unless we continue to be brighter and better than our competition, we So, from advice to have little future. implementation, we firmly believe clients are the that as no two two answers same, then no should be. That's why we prefer to bring together the brains and brawn of our global network to fit your particular requirement. Which is what we call using our

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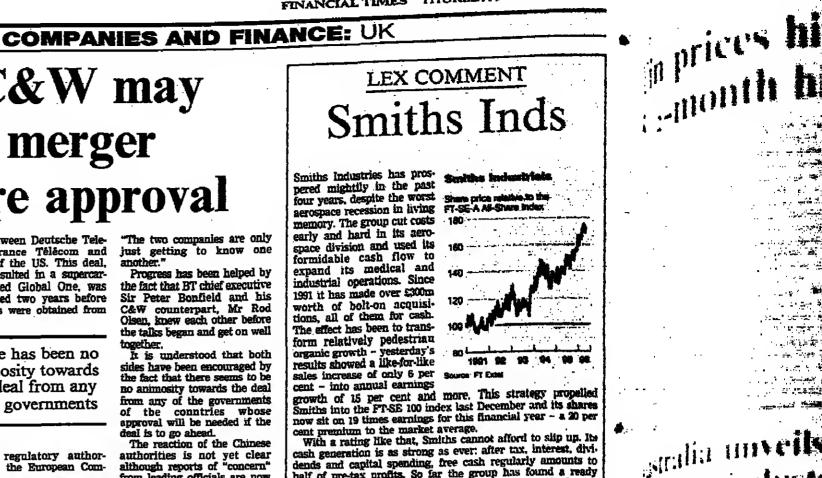
never lost sight of one overriding

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supply of suitably priced targets to soak up that cash. Sooner or later, however, the group's increasing size and the fact that margins at its existing businesses are already high at 15 per cent, will probably tempt it into a big purchase. That would increase the group's risk profile and require a

defence enterprises is certainly attractive.

BT and C&W may announce merger deal before approval

By Alan Cane

Britisb Telecommunications and Cable and Wireless may announce their intention to merge before every aspect of what is proving to be a very complex deal has been settled. The suggestion that the two UK telecoms companies might be prepared to announce a

merger in principle before regulatory and other permissions had been obtained makes an early conclusion to the talks slightly more likely.

"The two parties could not go across to Brussels or wherever and say 'Please agree to this now' before the terms had been set out," one observer said. "The natural process is to get to the point of deciding

what it is you want to tell the world, then tell it and then you go off to put the final consents and agreements in place. Some of those agreements might require the two companies to modify their agreement." Sources close to the talks yesterday compared the situa-

kom, France Télécom and Sprint of the US. This deal, which resulted in a supercarrier called Global One, was announced two years before approvals were obtained from

There has been no animosity towards the deal from any of the governments

the US regulatory author-

ities and the European Commission. While BT and C&W are refusing to comment on the progress of the negotiations, which now involve the chairman and chief executives of both companies as well as their financial advisers, those close to the "There are a myriad of prob-lems to be solved," one said.

"The two companies are only ance between Deutsche Telejust getting to know one another Progress has been helped by

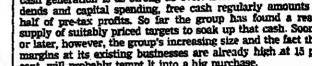
the fact that BT chief executive Sir Peter Bonfield and his C&W counterpart, Mr Rod Olsen, knew each other before the talks began and get on well together.

It is understood that both sides have been encouraged by the fact that there seems to be no animosity towards the deal from any of the governments of the conntries whose approval will be needed if the deal is to go ahead

The reaction of the Chinese authorities is not yet clear although reports of "concern" from leading officials are now accepted as misquotations.

C&W is delaying plans to announce a new chief execu-tive to replace Mr James Ross who left the company late last year. It is understood that Dr Brian Smith, C&W chairman, has selected a candidate from a shortlist, but uo action will be taken until the possibility of a merger has been resolved.

ent premium to the market average. With a rating like that, Smiths cannot afford to slip up. Its



Bent on vertical integration

Southern's approach to National Power anticipates freeing the supply market, says Patrick Harverson

ulation of a US bid - but it is likely to have caught the gov-

agree with the reported recommendation of the Monopolies and Mergers Commission to allow National Power to take over Southern Electric, the regional electricity supplier. If Mr Lang did not have

regional UK electricity supplier Sweb - which it acquired last

electricity industry power in single, let alone foreign, hands, As one industry insider said yesterday: "Any attempt to combine Sweb, National Power and a second rec (regional electricity company] is a definite MMC referral." A referral is something Southern Company would want to avoid at all costs. Consequently, the Georgia-

based group is expected to try to talk National Power out of proceeding with its agreed £2.8bn bid for Southern Electric. The US utility believes a combination of National Power and Sweb would be as good a generator supplier fit as National Power and Southern-Electric, or National Power

and Sweb and Southern Elec-Not everyone agrees, however. Some analysis believe the US group would be better off integrating Southern Electric with National Power. One said:

and the generator under the same roof. He said: "From their point of view, it makes much more sense to put National Power together with both Southern and Sweb. On Its own, Sweb is too small to give them leverage with National Power. But because they were forced to make a statement now, they know they face more regulatory obstacles."

While the financial, industrial and political complexities involved in Southern Company merging with National Power are considerable, the US group is determined to expand its overseas generating operations.

Already the largest utility in the US - where it serves customers in most of Georgia and Alabama, the panhandle of Florida and south-eastern Mississippi - Southern Company has a growing presence in power generation well outside its domestic market. It owns gen-

Sweb intensified its interest in the generators. Knowing that Its market share was falling steadily, the US group wanted to buy a generator and integrate it with Sweb in preparation for 1998, when the domes tic supply market was opened up to competition and genera-tors would face an avan tougher fight to retain market share.

Southern Company chose National Power over PowerGen primarily because the former looked a better buy. The US group believed the stock mar-ket was undervaluing National Power, which left it more room to make a competitive bid and still-strike a good deal for its shareholders. It also felt National Power would be a better fit operationally and managerially

Whether Southern Company will ever get to make that fit work, and pull off its ambitious attempt to vertically integrate

3000 range By Christopher Price

in Geneva

Renters yesterday launched its new 3000 range of data prodnots which have taken three. years developing and cost in. excess of \$100m (£65.7m).

The range was unvelled at the media and information group's biannual Enropean forum in Geneva. More than 2,000 customers, investors and analysts are expected to attend the 7-day event.

Mr Peter Job, chief execu-tive, said that the 3000 series was needed to "galvanize" sales and to maintain tha group's record of achieving double-digit revenue growth. The wave of mergers and

takeovers in the banking and securities industries has held back the group's sales. Mr Job said: "We are

in its public notice.

below, the Company has fixed December 28 of each year as the Regular Exchange Record Date; and if in any year the Company declares stock dividend to its shareholders, the Company will fix an Additional Exchange Record Date which is the record date for distribution of stock dividend (as defined in the Section: "Description of Common Shares" on page

is the record date for distitution of stock dividend (as defined in the Section: "Description of Common Shares" on page 89 of the Offering Circular). The Company will replace one Entitlement Certificate with one Common Share. The Company will issue its Common Shares to replace the Entitlement Certificates held by Holders who exercised the Conversion Right prior to (but exclud-ing) the Regular Exchange Record Date (or the Additional Exchange Record Date, if any) after obtaining the relevant ROC government approval for the Issuance of new shares and completion of the relevant corporate registration amend-ment, which will usually take place approximately within two to two and a half months after the Regular Exchange Record Date, as the case may be. Account for an ROC Agent (1) The Relie of an ROC Agent

(1) The Role of an ROC Agent Line cred of an <u>PLAC regent</u> Each Bondholder in exercising the Conversion Right is required under Article 27 of the Remittance Regulations to appoint an agent in the ROC (the 'ROC Agent') to perform the following activities in the conversion of the Bonds and the relevant post-conversion matters in the ROC (the appointing Bondholder is hereinafter, a "Client"): (a) to assist in the conversion of Bonds, (b) to act as a custodian of the Entitiement Certificates or Common Shares,

(b) to act as a custodian of the Entitlement Cartificates or Common Shares,
(c) to open securities trading account with securises broker on behalf of a Client,
(d) to confirm the securities trading instructions received from a Client,
(a) to conduct securities trading settlement on behalf of a Client,
(i) to the applications for outward remittance of the proceeds from the sale of the Entitlement Centificates/Common Shares, and Inward remittance of investment finds (if any) on behalf of a Client,
(g) to pay any and all applicable taxes on behalf of a Client, and
(h) to exercise the shareholder's rights on behalf of a Client.
(a) to exercise the shareholder's rights on behalf of a Client.
(b) Salection of an ENC Agent
A list of institutions which may act as the ENC Agent to contribute communication and the sale of the set of the Intervention of the set of the Intervention of the set of the Intervention of the set of the set of the Intervention of the Intervention of the set of the Intervention of the Intervention of the Intervention of the set of the Intervention of th

tutions which may act as the ROC Agent is available upon request from the Depository Trust Compa A as or manurone when may act as the HUC Agent is available upon request from the Depository Trust Company (DTC) in New York, the Principal Paying, Transfer and Conversion Agent and the Trustee, but does not constitute the recommendation of the Company. Bondhotders are requested to make their own decisions in selecting the ROC Agent. As required by the ROC Securities and Exchange, the Company will place the name of the ROC Agent along with the Holder's name on the Entitlement Certificates (the "SEC"), the Common Share Certificates, and the Common Shareholders there

Bumc United Microelectronics Corporation U.S.\$160,000,000 1.25 per cent. Bonds due 2004 (the "Bonds")

I.2D per cert bolta of the 2004 (arc bolta) / NOTICE is HEREBY GIVEN that United Microelectronics Corporation (the "Company") is pleased to inform you that as of April 20, 1996, holders of the Bonds (the "Bondholders") are eligible to exercise the conversion right attaching to the Bonds (the "Conversion Right") following the emendment to the Regulations Governing the Securities Investment and Procedures for Remittance by Overseas Chinese and Foreign Nationals (the "Remittance Regulations") and the revision of relevant reg-ulations required to implement the said Remittance Regulations by the Republic of China ("ROC") government in April 1996. This notice is given pursuant to Condition 6(A)(1) of the Terms and Conditions of the Bonds and Clause 5(0) of the Trust Deed (the "Trust Deed") between the Trustee and the Company, dated June 8, 1994, Bondholders may review a copy of the Trust Deed in the Trustee's office. Bondholders intervation to expansion Flicht are requested to comply with the following requirements and note

NOTICE TO HOLDERS OF

Boncholders intending to exercise the Conversion Flight are requested to comply with the following requirements and note the information given below <u>
1. Exercise Period</u>

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ers may exercise the Conversion Right prior to the close of business at the place where the Bonds are dep Economicitaris may exercise the Conversion Hight prior to the coope of outwass at the pace where the courts are trapton-ed on May 29, 2004, subject to the Company's exercise of redemption privilege against the Bonds prior to May 29, 2004; In such event the conversion period will end on the date which is ten days prior to e date fixed by the Company for redemption thereof. Bondholders are further subject to the Imitation that the Conversion Fight may not be exercised dur-ing the period when the register of shareholders on the Shareholders Roster of the Company is closed (please refer to the Section: "Description of the Common Shares" on page 89 of the Offering Circular for detailed explanations).

Entitiement Certificates The Company is subject to the regulatory requirements (i.e., the Guidelines for Offering and Issuance of Offshore Securities by Issuers and the Guidelines for Administration of Offering and Issuance of Securities) of the ROC to Initial-ly Issue "Cartificates Exchangeable for Common Shares" (the "Entitlement Certificates") to Bondholders who exercised the Conversion Right, and will subsequently exchange the Entitlement Certificates with Common Shares as explained in Data Blancing Point 7 hereot.

All testing of Entitlement Certificates All testing of Entitlement Certificates will be listed on the Taiwan Stock Exchange for trading to facilitate Bondholders' dis-posal of the Entitlement Certificates. Upon the Company's issuance of Common Shares to replace the Entitlement Certificates, the Company will apply to remove the Entitlement Certificates from being listed. Conversion Price

The current conversion price is NT\$49 per Entitlement Certificate, effective from August 7, 1995 until adjustment is made by the Company upon occurrence of any of the events specified in Condition 6(C) of the Terms and Conditions of the Bonds and in the manner described in Clause 7 of the Trust Deed.

b) the Company type means described in Clause 7 of the Trust Deed.
5. Prosedures for Conversion
Bonds and in the mannor described in Clause 7 of the Trust Deed.
5. Provedures for Conversion
Bondholders in exercising the Conversion Right should appoint an agent in the ROC as required under the Remittance Regulations (please refer to Point 8 hereof), send a notice of conversion to any Agent outside the ROC (as defined in Paragraph 2 of the Terms and Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements under Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements under Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements under Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements under Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements under Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements under Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements under Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements under Conditions of the Bonds on Page 9 of the Offering Circular) and comply with the procedural requirements of the Entitlement Certificates
(a) Bondholders who exercised their Conversion Right during the period from January 1 through December 27 in any year (the "Conversion Year") will not be entitled to receive cash dividend declared in that year by the Conversion Year.
(b) Bondholders who exercised their Conversion Right during the period from December 28 through December 31 in the Conversion Year will not be entitled to receive cash dividend declared and peid by the Company in all years thereafter.

thereafter. (2) Blant to Receive Interest Payment When the Company declares cash dividend, it will pay interest accrued from the preceding interest Payment Date to the Conversion Date as described in Conditions 5(A), 6(B)(III) and 6(B)(vii) of the Terms and Conditions of the Bonds, within 30 days after the Cash Dividend Record Date (as defined in Point 6.(2) hereof), to Bondholders who exercised Conversion Right during the period commencing from the Regular Exchange Record Date (as defined in Point 7 here-of) to a date which is five days prior to the record date ("Cash Dividend Record Date") fixed by the Company for dis-tributing cash dividend in the year subsequent to the sold Regular Exchange Record Date. Bandholders who exer-cised Conversion Flight after the sold Cash Dividend Record Date will not be entitled to receive interest.

check Conversion Flight after the said Cash Dividend Record Date will not be entitled to receive interest. (3) Right to Receive Stock Dividend Holders of Entitement Certificates ("Holders", and individually, a "Holder") will not be entitled to receive stock divi-dend, but will be entitled to receive additional Entitlement Certificates as explained in Point 6(4) hereot. (4) Right to Receive Additional Entitlement Certificates The Company will, within twenty days after the Company effects a price decrease (the "New Conversion Price") pur-suant to Clause 7 of the Trust Deed from any conversion price at which a Bondholder exercised the Conversion Right, issue to each person whose name has been recorded on the Company's Shareholders Rostor as a Holder at the time of the seld price decrease, such number of Entitlement Certificates as determined and announced by the Company is its while order.

(5) Preemptive Right to Subscribe for New Shares in the Company's Rights Issue Holders will not have preemptive right to subscribe for new shares in the Company's rights issue, but will be entitled to exercise the preemptive right in the Company's rights issue after the Company has notified Holders that the Common Shares in registered form are available for delivery to Holders to replace the Entitlement Certificates. Replacement of Entitlement Certificates with Common Shares For the purpose of effecting the exchange of Entitlement Certificates with Common Shares in the manner described holders the Description bet fixed Describe 20 of each work of the Stares in the manner described holders the Description bet fixed Description 20 of each work on the rest to replace the Entitlement Dets and the next work the

tion to the progress of the alli-

ast year, Southern Com-pany of Atlanta was the first foreign company to

buy a UK electricity supplier and now the US-based utility is breaking new ground again by making a play for Britain's

largest power generator. Southern's announcement yesterday that it would consider a merger with National Power, the larger of the two electricity generators, was not entirely unexpected - shares in National Power had risen sharply the day before on spec-

ernment on the hop. Mr Ian Lang, president of the Board of Trade, is in the pro-cess of considering whether to

enough on his plate already, the prospect of Southern Company merging its existing

talks said an announcement was unlikely for some weeks:

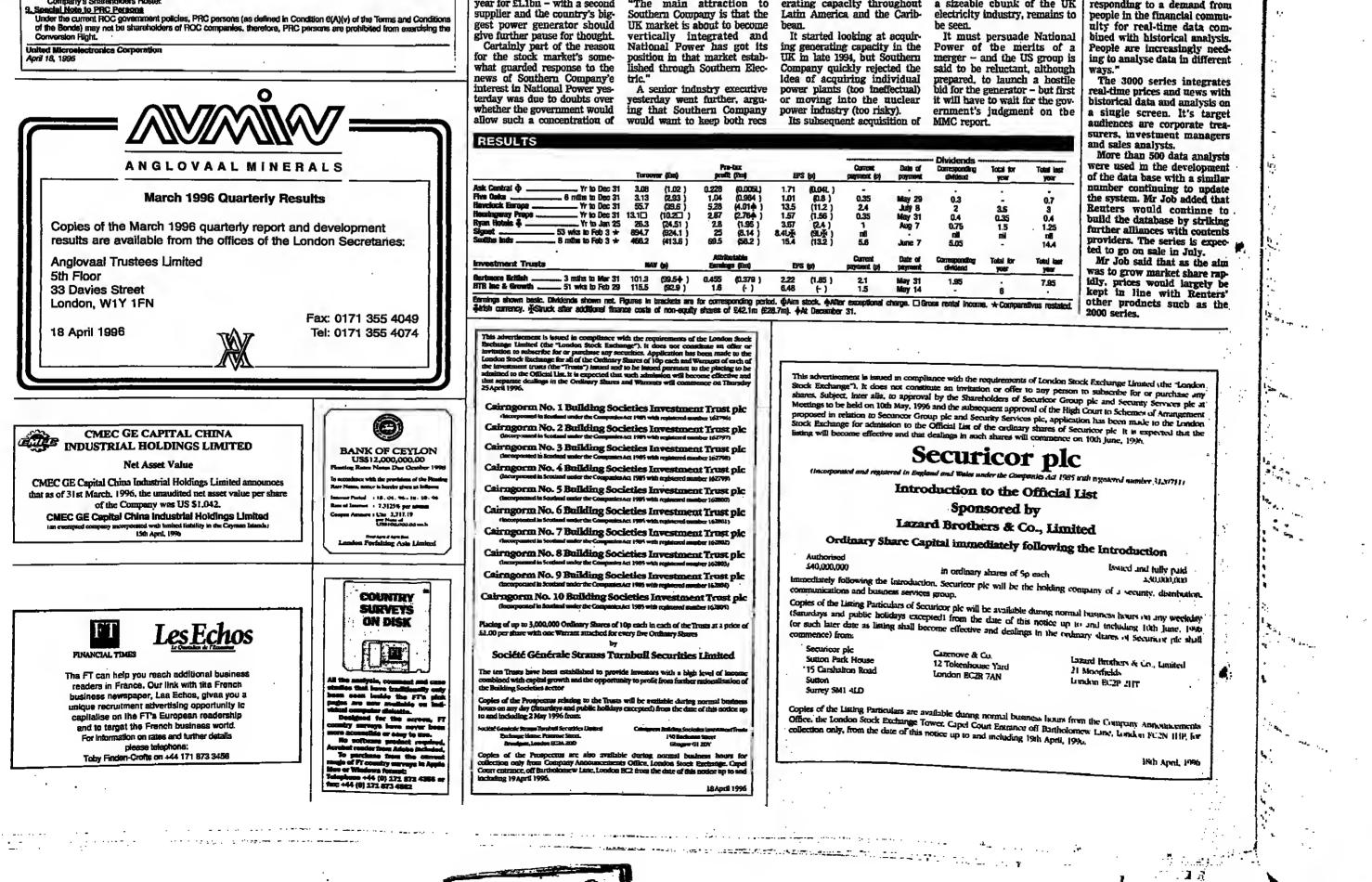
space division and used its formidable cash flow to expand its medical and industrial operations. Since 1991 it has made over \$300m worth of bolt-on acquisi-tions, all of them for cash-The effect has been to transform relatively pedestriau organic growth - yesterday's results showed a like-for-like sales increase of only 6 per cent - into annual earnings

growth of 15 per cent and more. This strategy propelled Smiths into the FT-SE 100 index last December and its shares now sit on 19 times earnings for this financial year - a 20 per

cash generation is as strong as ever: after tax, interest, dividends and capital spanding, free cash regularly amounts to half of pre-tax profits. So far the group has found a ready

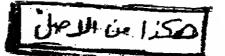
share issue. But if Smiths can take part in the consolidation of the defence and aerospace industries, it could also bring opportunities. The idea of Smiths' proven management getting its hands on one of Europe's underperforming, state-run





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COMMODITIES AND AGRICULTURE

MARKET REPORT Tin prices hit 5¹/₂-month highs

The TIN market put in a strong performance yesterday on the London Metal Exchange with prices closing at 5%-month peaks and looking likely to extend the current advance to the \$6,600-a-tonne level, for the three months position, traders said. "Tin has been strong all day, and with the June [delivery dstel tight there is a good chance of it carrying on, even if copper and aluminium back

Smiths Inds

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off." one trader said. Tin prices met expected Far Eastern producer selling in the mid-\$6,500s but this was well countered by mostly specula-tive buying and last business for the three months quotation was at \$6,565 a tonne, up \$85. The market's strength

reflected a speculative opera-tion around the June date, where a premium of \$24 to 39 to three months was in place. There was buying of June call options at a strike price of \$6,700 as well and, with a large open interest of some 7,000 tonnes concentrated around the June date, the potential for a squeeze in the low-liquidity market was high, traders said. London Commodity Exchange ROBUSTA coffee futures were firmer in cantious

trading after an early reminder that Brazil's frost season was approaching. Traders were sceptical but jittery after forecasts that a mass of polar air would cause frost in exposed areas of southern Brazil. Compiled from Reuters

At present, the Australian

Wheat Board handles all

be less likely to attract large-

scale investment if companies

were not given access to bigger

market opportunities. In reply, the AWB has claimed that its single desk

arrangement allows Australia

to compete effectively against

other big trading groups in the

international arena - and

Australia unveils plan for wheat industry

By Nikki Tait in Sydney

Reuters

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Australia's new Conservative federal government yesterday unveiled a five-year plan for the country's wheat industry, which would see the Australian Wheat Board retain its control over the sale of Australian exports. But Mr John Anderson, the new primary industries minis-

ter, said the government would need to put the board on an increasing commercial footing in the next few years, possibly through "corporatisation".

"There is a need to plan for the wheat industry when the government guarantees [for the board] end in 1999," he said. The industry, he added, needed to be restructured on the basis of grower-ownership and control of marketing and a fully-commercial approach to marketing. Mr Anderson made his com-ments at the start of a three-

helps guarantee continuity of supply, quality and customer day grain industry "summit" being beld in Sydney. support. COMMODITIES PRICES

Guernsey tomato growers pay the price of complacency The crop area is down to about 12 hectares from 400 hectares 40 years ago, writes Geoff Tansey

Fisland of Guernsey, once famous for its Guernsey famous for its Guernsey Toms (tomatoes), the glasshouses are its most obvious feature.

"The abundance of glass" also struck Sir George Head in 1838, but what is grown inside them has changed dramatically since then. Grapes were the main export crop at the start of this century, with over 2,500 tonnes exported in 1915 - even now the glasshouses are widely called "vineries". A drive around today, however, reveals many unused glasshouses and most others filled with flowers and pot plants; for the tomato industry that 40 years ago provided around 80 per cent of the island's GDP and covered abont 400 bectares now eccounts for only ebout 12 hectares, according to Fred Bell, a horticultural adviser on Guernsey for many years.

It is about 400 years since tomatoes - initially yellow and called 'love apples' - first arrived in the British Isles. For Guernsey, the late 1950s were the years of the tomato, with 15 per cent of the island covered with glass and Guernsey Toms were on greengrocers' shelves. Today, the glasshouse area is down to about 190 hectares. Tomatoes still bring in ebout £3m to the ones island each year although the Guernsey Tom name is no lon-



In the Nicholsons' high-tech operation integrated pest management techniques are used, with specially-bred bumble bees for pollination.

ger seen in the supermarkets. thought they were the leaders The finance industry is the big-gest contributor to GDP today. and didn't look further than the harbour," says Philip Nic-holson, who, with his brother The key problem was in the Alan and their 83-year-old 1970s when others modernised but Gnernsey industry sat still, father, still grow just over two believes Mr Bell. Most growers acres of tomatoes between kept to the old wood-framed them. Standing in his older greenhouses while their com-petitors were putting up metal 1,100ft glasshouse - on Guernsey they measure size in units of feet times 30ft wide - he says he would pull it down if going into tomatoes now and

"The biggest mistake in Guernsey was that growers

wool growing materials and Southern Africa on track to harvest a bumper maize crop

> the country's Netional Crop Estimates Committee said in its first, forecast released last

build one like their new dou-

runs a high-tech opera-tion, using the now industry-standard integrated pest management techniques runs a high-tech opera-

with specially-bred bumble

bees for pollination, various insects to control pests,

low-level carbon dioxide, rock-

he Nicholson family

ble-glazed glasshouse.

More optimistic still is the US Department of Agriculture, which last week raised its South African crop estimate to 10.5m tonnes from its previous estimate of 10m tonnes. The USDA also raised its estimate for South African maize exports by 500,000 tonnes to 2.5m tonnes.

Grain buyers from around the world were queueing up to buy South African maize as US

MEAT AND LIVESTOCK

Sett Dey's

LIVE CATTLE CME (40,000ibs; cents/bs)

prices shot through the roof amid poor forecasts for the US crop this year, traders said. World stocks of maize as a

percentage of consumption are at their lowest levels in 20 to 25 years and prices are soaring," said one. "Japanese and South East Asian hnyers are keen to buy our surplus maize."

Zimbabwe's maize harvest is predicted to be between 2m and 2.7m tonnes, compared with about 800,000 tonnes last. year, according to SADC and Zimbebwean Reserve Bank estimates. The central bank 1996-97 marketing year."

developed for the island's com-The Fi hybrid variety they, mercial producers for its two and many other Gnernsey stage BabyBio Tomato Food. A growers, favour is Ferrari. This desire for better flavour, qualvields around 500 tonnes a ity and taste is what Simon hectare, which compares with Crossland, PBI's marketing some 240 tonnes/ha for many director, hopes will persuade people to grow their own toma-toes. While that may be good English growers. "This variety may not give a lot of weight. for PBL, it will not be for those few remaining commercial but this is what the supermarkets want for quality, long life and taste", says Mr Nicholson. tomato producers remaining Despite the lower yields, it on the island. Even Mr Nicholpays hecause 98 per cent of the Ferrari that leaves the island is son agrees that "if you grow your own in the ground it will be much tastier".

taken by the supermarkets. Change in what Guernsey Cherry tomatoes have also become a popular crop in produces is in the nature of recent years, accounting for about e third of the area in tomatoes in 1993. All the fruit things, believes Naill McCathie, a deputy of the States of Guernsey. While 100 years ago people were bemoaning the loss of grapes, today tomatoes, is packed by the Guernsey Growers Co-operative, inspected, bar coded end he sees the growth of flowers and plants as showing the resilience of the island's hortishipped out.

computer controls.

For one company that has a long association with Guernsey culture. - PBI, a wholly-owned subsidiary of Japanese trading house tainly embraced that. From Sumitomo Corporation since the early 1990s and maker of nothing ten years ago, his Guernsey Clematis Nurseries now produce 3m plants a year, BabyBio plant foods and garclaimed to be around one in five of those sold in wholesale den products - the island was an obvious place to launch its new tomato food. It aim to get markets. He sells from his 3.5 people growing tomatoes at bome rather than buying them acres to 19 countries. Almost half goes to the US and he has recently been exporting to in.

PBI's Guernsey office snp-Japan. plied much of the commercial tomato food in Guernsey's heyfuture. the island's growers day of tomato production. Now, it has used the formula certainly have to look beyond the harbour today.

> said earlier this month that Zimbabwe was expected to

To secure a borticultural

Raymond Evison has cer-

export around 200,000 tonnes of maize after a four-year export ban because of drought. But the SADC was not so confident. "Altbough current projections suggest the maize harvest will be sufficient to cover total maize require-

ments. . . localised food deficits are expected." it said. "The need to replenish the strategic maize reserves may result in minimal or no maize available for export during the

yields after years of drought, however, South Africa and Zimbabwe will remain the region's only potential exporters as food shortages in other

surpluses.

WHEAT LCE E per tonne)

Sett Day's

GRAINS AND OIL SEEDS

been blessed with good rains in January and February, which were well above normal lev-els," said a trader at a major increased plantings, industry observers said this week, international commodity tradreport Reuters from Johannes-

Regional maize output was In spite of the improved expected to soar 77 per cent to 19.59m tonnes from 11.1m last season, according to figures from the Early Warning Unit of the Southern African Development Corporation released countries mop up any local at the end of March. Even warrpluses. torn Mozambique and Angola "Southern African weather is would show significant crop

extremely volatile but we have

SOFTS

COCOA LCE (E/tonne

Sett Day's

ing house.

look good. Especially South Africa, which is expected to double its maize crop, and Zim-

bahwe, which is supposed to triple its output," said Ms Sheila Machiri, deputy sector co-ordinator at the SADC food security unit in Harare. South Africa should harvest 9.563m-tonne maize crop in 1996, a 117 per cent rise on last year's revised figure of 4.405m,

improvements, with the former expected to produce e small surplus for the first time in many years, the SADC said. "The prospects for the region month.

JOTTER PAD

BASE METALS LONDON METAL EXCHANGE.

Precious Metals continued A GOLD GOMEX (100 Troy oz: \$/roy oz) Sett Day's



burg.

(Prices from Amalgemeted Metal Tracing) III ALLININIUM, 99.7 PUPPITY (\$ per tonne)	period change High low Vol be	price obenge High Low Vol int	price change High Low Vol Int	Price change High Low 'Vol jot		
Caub 3 miles	Apr 390.6 -0.4 391.5 390.5 182 197 Jun 393.0 -0.5 395.8 392.7 48.523 101,424	May 127.25 +0.85 127.40 125.90 335 1,915 Jul 130.05 +0.85 130.25 128.90 247 1,143	Many 998 -5 1009 995 1,360 10,837 Jul 1020 -18 1037 1019 966 26,639	Apr 58,450 -0.475 58,975 57,550 1,981 2,642 Jun 60,275 +0.250 60,450 58,300 10,610 38,136		
Close 1572.5-3.5 1607-8 Previous 1564-85 1599.5-600	Ang 395.2 -0.5 396.0 395.0 453 27,223 Out 397.6 -0.5 398.3 397.5 353 5,550	Sep 114.00 -1.20 115.25 114.85 27 339 Nov 118.75 -1.15 117.30 116.50 234 2.063	Sep 1042 -11 1050 1041 618 43,406 Dec 1012 -9 1027 1011 511 19,217	Awg 61.850 +0.150 62.090 61.300 4.247 23.100 Oct 63.800 +0.025 64.000 63.550 1.875 13.541		
High/low 1572,5/1571,5 1613/1603 AM Official 1572-72,5 1607-7.5	Dec 460.1 -0.4 401.0 399.9 582 24,791 Feb 402.6 -0.4 403.8 403.5 526 3,128	Jan 118.75 -1.25 118.95 118.95 43 633 Jan 120.55 -0.75 120.75 120.20 48 72	May 1017 -0 1034 1020 544 41,496 May 1029 -7 1045 1045 56 13,707	Dec 62.425 -0.025 82.700 82.700 1.397 10.345 Feb 62.750 - 62.900 62.550 711 6,124		
Karb clove 1606-9 Open Int. 211,541	Tetal 50,729 201,830	Tetal \$34 6,203 WHEAT CBT (5,000bu min; cents/60kp bushel)	Total 4,657 158,313 COCOA CSCE (18 tonnes; \$/tonnes)	Total 20,929 94,419		
Total daily turnover 42,695	Apr 4058 +0.3 4150 4150 18 30	May 571.00 +4.25 572.00 553.00 4.638 12.286	May 1330 +3 1346 1323 5.905 3.368	Apr 54,650 -0.375 54,800 53,800 1,163 3,228		
Close 1325-35 1365-70	Jul 405.5 +0.3 406.5 404.0 3,676 20,050 Dat 409.0 +0.3 409.5 408.0 512 3,233	Jed 539.00 +7.75 541.00 518.00 22,777 57,530 See 535.00 +5.00 539.00 511.25 2,250 13,965	Jel 1352 -3 1372 1345 6,330 35,013 Sep 1368 -4 1387 1364 1,357 15,322	Jun 58.475 -0.675 58.800 57.750 6.480 20.014 Jul 56.875 -0.200 55.960 54.750 1.471 7.636		
Previous 1330-40 1370-80	Jan 411.6 +0.3 412.6 471.6 2 1,078	Dec 540.00 +3.50 542.00 517.00 4,459 15,220	Onc 1382 -18 1401 1377 229 16,381	Aug 51,650 -0.025 51,790 50,600 905 5,872		
Highview 1375/1365 AM Official 1320:30 1360-65	Apr 414.5 +0.3 414.5 413.0 208 777 Total 4,398 25,158	Inter 532.00 +7.00 533.00 525.00 218 1,091 Jud 433.00 -4.00 435.00 422.00 142 975	Mar 1396 -10 1393 1392 172 11,996 Mary 1412 -18 1423 1413 11 4,687	0et 47.425 +0.075 47.500 46.550 265 3,849 Dec 49.250 +0.050 49.250 48.400 168 3.425		
Karb close 1365-70 Open Int. 4,903	PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.)	Tatal 34,440101,132	Total 14,004 96,801	Total 4,192 24,775 PORK BELLIES CME (40,000/bs; cents/fbs)		
Total daily turnovor 418	Jun 157.43 +0.50 137.25 138.25 589 5,544 Sup 138.85 +0.55 138.70 137.50 102 1,171	MAIZE CBT (5,000 bu min; cents/56tb bushel)	Ager 16 Price Press, day	Mary 76.075 +2.000 76.075 72.400 1,320 4,476		
LLEAD (\$ per tonne) Cipee 814-15 806-7	Dec 140.10 +0.70 139.00 139.00 1 147 Tetal 921 6.362	Nay 448.50 +4.00 450.00 436.00 35,818 111.558 Jul 429.75 -0.25 434.00 418.00 49,793 162.594	Dally	Jud 75.600 +1.675 75.700 72.400 1,173 3,858 Aug 72.675 +1.075 72.900 70.400 319 1,290	CROSS	SWORD
Previous 804-805 798-800	SILVER COMEX (5,000 Troy or ; Centerbroy or)	Sup 361.75 -2.75 364.50 354.00 14,936 53,511 Dec 328.00 +3.50 333.00 318.50 29,946 117,739	COFFEE LCE (S/torne)	Feb 68.900 +0.375 89.500 68.500 58 387 New 70.000 - 70.000 70.000 1 12		
hgh/low 516 511/802 NA Official 815.5-16.6 807-8	Apr 529.6 +1.3 530.6 550.9 1 1 May 530.5 +1.3 533.5 527.0 52,209 49,258	Mar 331.00 +4.00 334 00 321.00 1,889 12,427	May 1873 +14 1885 1858 1,365 11,818 Jul 1852 +20 1865 1841 2,272 9,429	May 73.500 +1.025 70.500 70.500 3 11	No.9,046 Set b	y DOGBERRY
Kenb close 811-12 Open inf. 37,608	Jul 535.5 +1.5 538.5 533.0 15,041 29,327	18ay 333.50 +6.50 334.50 326.00 122 1,288 Total 133,518.465,998	Sep 1847 +24 1850 1830 830 4,250	Total 2,579 10,034		5 (8) /7 ()8
Total daily tumover 8,679	Sup 540.1 +1.5 543.5 538.0 721 11.372 Dec 547.2 +1.5 550.5 545.0 287 8.234	BARLEY LCE (C per tonne)	Jacq 1809 +17 1806 1603 20 1,244	LONDON TRADED OPTIONS		
NICKEL (5 per torme) Doce 0125-35 8225-30	yllar 554,6 +1.5 555,0 553,0 18 3,317 Total 58,300 105,746	May 113.15 -0.75 113.50 113.00 8 384 Sep 109.25 -1.25 109.75 109.00 39 55	New 1723 +25 1792 1790 15 627 Total 4,789 29,772	Strike price \$ torsne Calls Putz		
Tevrous 8090-100 8185-90		Nov 110.50 -1.00 111.50 110.50 25 531 Jap 112.50 -1.20 113.20 112.70 51 107	COFFEE 'C' CSCE (37,500lbs; conto/bs)	S&7%)LME May Sep May Sep	10 11	
M Official 8115-25 8210-20		Mer 114.10 -0.90 114.10 114.00 37 49 Total 160 1,132	Namy 117.30 +1.70 118.60 116.00 4,333 8,037 Jul 117.25 +1.70 118.40 118.00 4,491 11,067	1500		
Serb close 82:69-90 Open mr. 38,222	ENERGY	SOYABEANS CBT (5.000be min: cents/60b bushe)	Sap 116.05 +1.50 117.50 115.10 1,918 4,179 Dec 115.10 +0.95 116.00 114.75 313 2,250	1700	12	13
tal daily tumover 7,241 Till (\$ per tonne)	I CRUDE OIL NYMEX (42,000 US galla S/barrel)	May 784.00 +11.00 785.00 769.00 12,738 45,509 Jai 792.75 +10.50 794.00 778.00 37,832 72,579	Mar 114.18 +0.40 115.50 115.25 21 520 May 113.10 +0.35 116.00 116.00 - 103	Grade A) UME May Sep May Sep	╎╌┧╍┟╌╘╍┟╌╘	
ADSR 6545-55 6550-60	Latent Bay's Open	Aug 793.50 +10.25 794.00 780.00 2,624 9,361	Tetal 11,072 26,339	2400		
trious 6465-75 6470-80 gh low 6580,18490	price change High Lew Vol lot May 23.69 -0.67 24.70 23.20 43,082 49,596	Sep 778.00 +8.50 778.50 765.00 817 5,730 Nov 770.25 +7.25 772.03 756.00 19,324 65,113	COFFEE (CC) (US cants/pound)	2600	14	15
M Official 6540-50 6545-50	Jm 20.92 -0.67 21.58 20.60 56.842 105.939 Jai 19.82 -0.40 20.12 19.30 17.502 56.251	Jan 777,75 +6,75 777.50 767.00 750 5,647 Tabai 75,695 239,817	Comp. daily	■ COFFEE LCE May Jul May Jul 1850	17	
pon int. 18,724	Aug 18.75 -0.21 19.15 18.60 9.961 42.616 Sen 18.21 -0.33 18.56 18.18 4.530 33.255	SOYABEAN OIL COT (60,000/bs: cents/b)	15 day average	1900 4 181 31 149 1950 84 77 182	18 19	20
ctal daily turnover 5,216 ZINC, special high grade (5 per torms)	Oct 18.18 -0.79 18.28 17.90 1,787 21,082	Mary 26.09 +0.21 26.18 25.74 4,712 20,506 Mar 26.46 +0.23 26.50 26.11 9,206 45,154	WHITE SUGAR LCE (\$/tonne)	COCOA LCE May Jul May Jul		
1040-41 1066-67	Tetzi 141,515 (32,754 CRUDE OLL IPE (5/berrel)	Aug 26.63 +0.22 26.62 26.25 730 7,361 Sup 26.76 +0.23 26.75 26.45 418 4,166	Many 397.0 +4.2 413.0 393.2 1,156 1,506 Ang 375.1 -3.1 379.0 372.5 1,453 11,885	875		
Tovicus 1040-41 1066.5-67.0 ligh-Tow 1073/1066	Letost Dey's Open	Oct 26.68 +0.19 26.90 26.57 195 2.718	Aug 375.1 -3.1 379.0 372.5 1,453 11,885 Oct 343.8 -1.0 345.5 340.0 875 5,556 Dec 335.0 -2.0 337.1 334.0 167 2,794	925	22 23 24	
M Officadi 1044-45 1070.5-71.0 arti close 1067-8	price change High Low Yol Int May 21,80 - 21,98 21,27 14,249 14,754	Tatal 18,176 94,513	Dec 335.0 ~2.0 337.1 334.0 167 2,794 Mar 328.8 +0.6 330.0 325.2 256 1,720 May 325.5 +0.7 329.5 ,327.0 48 982	1850		
otal daily turnover 7.241	Jun 18.57 -0.94 19.59 18.45 23,588 75,234 Jul 17.85 -0.74 18.45 17.60 9,379 50,945	SOYABEAN MEAL CET (100 sone: S/ton)	Total 2,880 22,957	1900	25	26
COPPER, grade A (\$ par tonna)	Aug 17.18 -0.69 17.00 17.01 1.952 18.577	Ja 252.4 +3.4 252.8 242.0 14,483 45,772	SUGAR '11' CSCE (112,000/bs; cents/bs) May 11.54 +0.03 11.65 11.45 8.231 26.276	LONDON SPOT MARKETS	┟╌┨╍┟╌┤╍┟╌┤╸	
050 2594-95 2563-69	0ct 16.60 -0.42 16.88 16.60 1,425 5,352	Sep 2492 +27 250.0 244.5 864 5,698	Let 11.16 +0.05 11.15 11.05 7.561 59.732	CRUDE OIL FOB (per berret) +or-		
gh/low 2575/2547	Telat 45,440 195,400 MEATING OIL, MMEX (42,000 US gains; club gains) _	0et 246.3 +3.0 246.7 241.0 495 3.251 Dec 245.9 +3.1 246.5 240.0 3.511 13.245	Opt 11.00 +0.06 11.00 10.05 3,100 34.211 Marr 10.83 +0.05 18.84 10.71 2.200 21.081 Mary 18.75 +0.00 10.78 18.70 744 5.553 Mary 18.75 +0.05 10.59 10.57 72 2.683	Dubai \$16.84-5.89x -0.205 Brent Biend (dated) \$20.02-0.18 -1.070		
M Official 2561-83 2561.5-62.5 srb close 2570-71	Lagest Bay's Open	Tetal 39,243 190,022		Brent Biend (June) \$18.72-8.75 -0.590	ACROSS	4 Rebel getting second award in
tal delty turnover 68,234	grice change High Low Vet lat New 57.50 -2.04 59.60 56.30 13,955 22,221	May 167.5 -2.5 165.0 165.0 15 107	Tetal 21,864 150,748 COTTON NYCE (50,000bs; cante/bs)	W.T\$20.77-0.62x -0.630 OIL PRODUCTS NWE prompt delivery CIF (torne)	I Approach to performing a duet about bird (8)	handicraft (7) 8 Millenarian ripping shirt off
LIME AM Official 2/5 rebr: 1.5078 LIME Closing 2/5 rate: 1.5087	33.40 -1.50 55.15 52.35 9.242 17.123 Jac 51.50 -0.95 52.50 50.50 5.363 14.629	Jan. 225.0	Mary 83.45 +0.28 83.85 83.02 5,506 18,938	Premium Gesoline \$222-224 -18	5 Burning to put a halt to femi- nist leader (6)	in match (5,10) 7 Eastern currency, outside,
LINE Country Los rates 1.5001 9 mbs: 1.5026	Aug 51,00 -0.70 51,85 50,00 2,466 10,060	Mar 130.0	Jai 84.57 +0.52 84.90 84.10 11,428 19,840 Oct 82.10 -0.15 82.50 82.00 578 2,905	Gas OF \$184-186 -7.5 Heavy Fuel Oil \$109-111	10 Fuel resistance in fictional	raised spirit (5)
HIGH GRADE COPPER (COMEN)	Oct 51.75 -0.80 52.00 51.85 237 3,431		Dec 20.68 +0.15 20.80 20.45 3.093 22.319 May 81.28 - 81.35 81.25 74 2.668	Nephtha \$108-200 -4.5 Jet fuel \$196-196 -7,5	island (5) 11 Opera featuring geisha, more	8 Risk violent emotion on pur- pose (8)
Sett Dav's Oper	Typel 34,312 98,549 III GAS OB, IFE (Stoone)	Apr 1453 -2 1456 1455 76 896	Ney 81.95 - 81.95 81.70 13 1,102 Total 21,863 61,974	Diesel \$189-191 -8.5 ■ NATURAL GAS (Pence/therm)	than half rejected, getting	9 Say sorry and shut up again?
price change High Low Vol Int	Sett Day's Dpan	Many 13270 -6 13278 1370 51 734 Jan 1310 +18 1315 1305 53 237	- ORANGE JUICE NYCE (15,000bs; centa/bs)	Bacton (May) 9.50-9.65 -0.025	cooked (9) 13 Like brand to be rendered fit	(6) 16 Naked courage after Spain's
119 60 -1 20 130 78 118 40 9,644 17,260	price change High Live Vol lat	Lef 1280 +5 1285 1289 35 1,908	May 128.95 -1.25 129.75 128.50 339 10,251 Jul 127.35 -1.50 128.30 126.75 185 5,684	Patobian Argus. Tel. London (0177) 359 8732	for consumption (9)	plunged in darkness (9)
110-70 +1.05 118.35 187.40 29 1.075 11:41 +0.50 118.18 116.35 1.775 11.504	May 171.50 -7.25 179.25 170.50 10.133 17.958 Jan 163.50 -6.75 170.25 162.75 3.942 11.561	0et 1333 +8 1335 1330 78 796 Jaan 1350 -10 56	Sap 12625 -1.40 127.20 126.00 17 2,646	Gold (per troy oz) \$ \$391,45 -0.85	13 Her exceptional looks excited naughtiness, initially, in	17 Diggers smothering brayer with treacle (8)
116 12 +8 75 116 50 176 50 4 561 115 70 +0.70 116 20 114 90 268 3.823	La 159,75 -5.25 165.00 168.50 2.290 6.673 Aug 158.00 -3.25 160.80 157.50 677 5.957	Tetal 284 4,671 Glose Pres	New 124.00 -1.25 124.00 123.75 129 945 Jawn 122.00 -100 122.25 122.00 45 3,039	Silver (per troy oz) 533.50c -8.00	Paris (5) 14 Public address at junction to	19 Get wine ready for accoun- tant during depression (6)
115.70 +0.50 110.20 110.30 200 40.671	Sep 159,25 -275 158,75 158,00 347 2,355 Oct 158,59 -275 159,25 158,00 738 1,136	BR 1447 1447	aller 124,00 -1.00 124,00 124.00 102 187 Tetal 547 22,570	Platinum (per troy oz.) \$401.50 -1.90 Palladium (per troy oz.) \$135.50 -0.50	give offence (6)	20 Wicked sister, one doomed at
	Total 18,845 54,825			Copper 125.0c Leed (US prod.) 45.00c	15 Roundly beat counter-revolu- tionary (7)	forty-nine (7) 21 Cold fish in pen (6)
RECIOUS METALS	NATURAL GAS WHEX (10,000 mmBin; S/mmBin)	Futures data Al mines dels supples by CMS.		Tin (Kuala Lumpur) 15.99r +0.05	18 Composer in party coming	23 Instrument of outlaw, the dar
one supplied by N M Recharchild)	Latant Degris Open prios change High Low Vot Int	in which and making of anot		Tin (New York) 907.50 +3.0 Cattle (live weight) 100.76p +1.78*	back burned (7) 20 Farmhouse egg turned - was	ling of the Scots (5)
difficity ac) \$ price £ equity SFr equily 301.30-391.50	Hany 2315 - 2345 2275 12,681 31,394			Sheep (live weight) 178.89p -10.30 Pigs (live weight) 107.20p -5.07	very soft inside (6)	
100-391.30 Min 201	Jan 2,315 -0.013 2,340 2,250 5,516 27,247 M 2,310 -0.010 2,330 2,290 3,793 21,562	Nuts and Seeds Prices from Kenide: Group; US\$ a torme, Ira-		Lon. day sugar (raw) \$298.50 -4.50	22 Mineral containing sec- ond-rate record (5)	Solution 9,045
AFWING HE	Ang 2,200 - 2,205 2,250 1,016 15,346 San 2,245 -0.005 2,255 2,235 662 13,587	non petachos 28/30 raw (n stell naturally agened (round): 1995 crop 3,250 CFR/FOT	VOLUME DATA Open interest and Volume data shown for	Lôn. đay sugar (wte) \$394.00 -5.00 Barley (Éng. feed) Unq	24 Trick paper soldier (9)	HIIGHICIÓNMIIISSIION
nminon 8a 391.10 259.365 479.762 yis Hugh 397.40-391.78 yis Luny 390.63-390.90	06 2240 -0.005 2250 2235 832 11,252	MEP. 25/28 3.450 CFR/FOT MEP. down	contracts traded on COMEX, NYMEX, CBT. NYCE, CME and CSCE are one day in amounts.	Maize (US No3 Yellow) 146,5 Wheat (US Dank North) Ung.	25 Split, about to have a drink	SIN E FAIREALARM
VICLE , LOND 392 10-392 50	7566 22,468 167.077 III UNUZADED GASOLINE	slightly as 30% extra allowed for export. US almonds (shelled) 23/25 NPSSR 1995 crop		Rulaber (May/)¥ 98.75p -0.25	26 Harden urine solution (5)	
co Lan Mean Gold Landing Raise (Va USS) Ionin	MTRIEX (42,000 US gains: c1/5 gains.)	evaluation very short price date for NPS 22/22 is 6.461 FAS California. US watruss UKP 20%	INDICES	Rubber (Jun) 98,75p -0.25 Rubber (KLRSS Not) 362.50m -1,50	27 Demonstrator of washing equipment (6)	WILLKSOP AGELESS UV R M I
14h1	Latest Day's Open accer charge High Law Yol int	5,700 FAS California, Iower, new crop nd- cation 5,510 Indian cashees raw, 1955 and	REVTERS (Base: 18/9/31=100;	Coconut Oil (Phil)§ \$760.0 +10.0	28 Crawling further forward	STEAM INSTANCES
nithe	67.31 -216 69/5 66.30 14,810 22.145	W-220. 6.250 spet Europe, togt (they only others at 5.850; W-240 E.575 spet Europe,	Apr 17 Apr 10 month ago year ago	Palm Oil (Malay.)§ \$555.0 -5.8 Copra (Phil)§ \$486.0v	between frizzy ends (8) DOWN	NUNPIA Catalogue elver
352 55 531 75	Jan 6535 -154 6720 6460 7.058 20.913 Jan 6270 -1.14 64.15 64.70 3,644 13.316	type new crop offers at 5,100. Turkes tass-	2104.2 2114.1 2135.7 2304.8 CRB Febres (Base: 1967=100:	Sovabeans (US) 228.0v -3.0 Cotton Outlook A' index 82.00c -1.55	1 Where amusemeots are	L T E A Outline Dogtroi
382.20 544.25	Aug 5843 -065 6060 1900 1373 8040	2 625 FOB MEP. April lare stomet: 1995	Apr 16 Apr 15 month ago year ago	Wooltops (64s Super) 344p	bounding bounder? (6) 2 Conclude with model - a	BITEX WORL BONVOYAGE INOFF.
as Coles \$ prot 1 aquil.	ONE 5420 -030 5420 5410 102 1.049	crop endication 3.000 FOS WEP Pumptur seeds. Russian show white 1995 crop, yes	GSCI Spot (Base. 1970 - 103)	 per torme unless otherwise stated, p pencerky, c contacts. noggating, no Malayagan centeskig x June, v Aprillay, y and the M Learning Development & CE Retreated & Development 	model wearing fur (9)	BONVOYAGE INOFF E G R C L N U Y
Aperianci 301-304 259-261 Nun Lest 401 92-404 45	Tutel 27,567	grade A, el 1,850 FCA Europe, round type 2,250	Apr 10 Apr 15 month ago year ago 238.55 213.43 202.76 190.45	April An. V London Physical. § CIF Rotlandent. & Bullion market close. Change on week. (Based on 1.510 head of pgc sold.	3 Forever's not long to a 5 (4,7,4)	RINIEIUINIAITIOILIOIGIIISIT
W Suntrition 91-94 00-62	·.			- -		

and the second • .

INTERNATIONAL CAPITAL MARKETS

Treasuries slip despite housing slowdown |Flurry of paper in dollar

By Lisa Bransten in New York, Samer Islandar and Richard Lapper in London

24

lessen for a contraction

US Treasury prices edged lower in early trading yesterday despite data suggesting that home building activity was slowing, and reports of another decime in an important commodity index.

Bond prices rose briefly early after the Commerce department said that new housing construction fell 3.9 per cent in March. Also positive for the market was a fourth consecutive daily fall in the Knight **Ridder-Commodities Research** Board commodity index. The KR-CRB fell 0.36 to 255.48 in early trading. The KR-CRB soared throughout March and early April

However, none of that news was enough to keep bond prices in positive territory. Near midday, the benchmark 30-year Treasury was down at at 89% to yield 6.804 per cent. while at the short end of the maturity spectrum, the twocen year note fell & at 100%, yielding 5.953 per cent. The Juna Treasury bond

By Leslie Crawford in

Lapper in London

month.

Mexico City and Richard

The Mexican government

yesterday launched an offer to exchange between \$1bn and

\$2.5hn of its outstanding Brady

bonds for a new 30-year dollar-

denominated global bond. The final size and value of

the issue will depend on the

response of existing holders of

Brady bonds at a "Dutch auction" to take place next

This is the first time the gov-

ernment has attempted a 30-year sovereign debt issne in

what is expected to be an

important test of investor con-

fidence in Mexico following

last year's financial crisis,

when the country came close

future was off # at 109#.

Mr Ed Yardini and Ms Debbie Johnson of Deutsche Morgan Grenfell said that while construction remains

the next several sessions as it

Mexico offers Brady exchange

can country risk.

debt in the 1980s, are collateral-

ised by 30-year US zero-coupon

notes, he said.

German bunds lost ground "relatively high, rising mort-gage rates suggest there's more in thin trading, while the mar-ket awaited today's Bundesdownside than upside".

Mr John Spinello, a govern-June bund future closed at ment securities strategist at 96.28, down 0.42. In after-hours Merrill Lynch, said: "The fact trading, it bounced off the 96.20 that commodities have come barrier several times, which off their extraordinary run is not enough to help the market showed that this level offers solid support for the contract. very much." The market would Volumes were thin, and tradprobably remain bearish for

GOVERNMENT BONDS

faces a wave of new supply set to come out in next week's auctions of two-year and five-year ers saw sharp price fluctua-Also weighing on the market tions as one large American were a second wave of selling of mid-term maturity honds, investment bank reportedly sold a number of bund futures and a weaker dollar. Mr Spito huy US 10-year T-note nello said he had seen selling futures. on Tuesday of five and 10-year Meanwhile, the 10-year notes and more 10-year selling spread of French OATs over yesterday. In early trading, the benchmark 10-year was off is bunds tightened by 3 basis points to 12, highlighting at 93% to yield 6.503 per bunds' weakness relative to other markets.

After several strong sessions, the dollar weakened against the D-Mark. In early trading 121.96, down 0.18. In the cash

the US currency was changing market, the 5% per cent BTAN down on the day. In the cash hands for DM1.5067 compared due 2001 fell 0.13 to 99.88, while market, the 10-year yield with DM1.5101 late on Tuesday. the 10-year benchmark OAT lost 0.28 point to 104.80.

UK gilts were particularly weak, falling more than most other markets, after the publibank council meeting. Liffe's cation of stronger than expected employment data. Minutes of the March meeting, when Mr Kenneth Clarke, chancellor of the exchequer, decided the latest rate cut, were also released, showing he was ready to start raising interest rates

this year if necessary. Liffe's June gilt future settled at 105å, down %. Futures on three-month interest rates fell sharply, with the December

contract of Liffe's short sterling futures losing 0.17 point to 96.32 In the cash market, short and medium-term maturities suffered most. The benchmark five-year gilt fell # to 101#.

Currency weakness and uncertainty about the outcome of the country's elections on Sunday undermined the Italian On Matif, the June 10-year

market, with the 10-year BTP notional contract settled at future closing nearly a point

spread over bunds, which has narrowed in recent weeks as a result of falling inflation and a

stronger lira, yesterday wid-ened back out, closing 8 basis points higher at 407.

Spanish bond futures closed slightly lower following a bout of profit-taking at the end of a choppy day's trading. At Meff, the 10-year BTP future settled at 97.55, down 0.44. In the cash market the 10-year yield spread over bunds remained at 289 basis points.

Irish gilts continued to be the strongest performers in Europe. The benchmark 8 per cent bond due 2006 closed at 101.37, down only 0.08. This tightened the spread over UK glits by another 9 basis points

to a negative 46 basis points. The Treasury tapped the 10-year issue for another 1275m, on the heels of Tuesday's HE100m auction. The decision to issue was main

strong demand notably from o

and D-Mark sectors merzbank and Nomura, the

By Conner Middelmann

deal saw good demand from retail accounts across Europe. In the D-Mark sector, Hew-The eurobond markat yesterday market saw another lett-Packard Finance issued rash of retail-targetted shortdated offerings in dollars and D-Marks.

Austria's OKB issued \$200m of bonds maturing in Novem-ber 1999, priced to yield 3 basis points over Treasuries at the re-offer price - much tighter than other recent deals in that

considering this is a sovereign deal, this compares well," an

DePfa Bank issued \$200m of two-year bonds with a 6% per cant coupon. The re-offer three-year global bond callable after two years, which will be

priced today at a spread of 41 basis points over Treasuries. via Goldman Sachs and Merrill Lynch.

Another US agency, the Student Loan Marketing Associa-tion (Sallie Mae), will today launch a \$1.5bn global floatingrate note issue pegged to US Treasury Bill interest rates, rather than Libor, via Lehman Brothers.

Also today, the National Bank of Hungary is to launch DM500m of six-year floatingrate notes via WestLB. "It should go well - there's a lot of demand for Hungarian paper, said one banker. He said yield spreads on Hungary's out-standing dollar bond due 2002 had fallen by about 200 basis points since October, partly on expectations that Hungary's ; , credit rating would ba credit rating would upgraded.

Elsewhere, Bank Handlowy W Warszawie, Poland's largest bank, was awarded an investment-grade rating of Baa3 by Moody's.

INTERNATIONAL BOND ISSUES

Barrower Uis DOLLARIS Linitad Maudaan St Federal Nati Mitge Oest Kontrolibanid DePis Benk(f) CS First Boston Jun 2026 Apr 1989 Nov 1999 May 1998 Apr 2001 May 2001 (a1)(9%96-25) Goldman Sacha & Co +41(5%-00) Goldman/Monill Lynch +3(5%-09) Barclays de Zoste Wedd +15(5%/s-08) Commerziumi//Nomuna (a1)# (b1)\$ 8,125 8,125 7,25 (c1) (a) 200 200 150 100 (81) (51)R 99.716R 99.855R 99:91F 100.07R 0.15R 0.1875R 0.15R 0.35R 0.25R +84(6%%-01) CS. First Bosto ingan Stanley & Co Inti 99.94 99.75R 100.00R May 2001 0.30 Dec 1999 0.25R Dec 1999 0.225R 250 200 200 +13(7%-99) SBC Warburg +28(7%-99) Commerzbank 300 110 Nov 2001 2.00 Ney 2000 1.825 58C/UBS Yemaichi BanidSwitz 3.50 0.75 102.125 Shn 6.625 99.40R May 2006 0.325R +15(7%96-06) Bg Paribas/Mentil Lynch PESETAS KW Internetional Finance 10bn 8.60 100.925 May 2003 1.625 JP Morgan LUXEMBOURG FRANCS 102.50 Jun 2002 1.875 102.55 Jun 2001 1.75 101.875 Dec 2000 1.75 Cerabank Luxembou LB Rheinland Platz Aalk-Cger Hicol) 2bn 2bn 2bn **BCEE/Carabani** 8.75 5.50 liethank Lux Benque UCL . . . TALIAN LINE European Investo

200bn 9.60 102.295 Jan 2001 1.75 BCI/Credito/JP Morgan Pinal terms, non-callable unless stated, Yield spread (over relevant government band) at terms supplied by lead manager, * Unlisted, @With equity warrants. ‡ Floating-rate note, #Semi-ennual coupon. Ft thed re-offer price; fees shown at re-offer level, a) Exchange offer for Brady bonds; min S1bn, max \$2%bn, a1) Priced May 1st, b) Callable from 30/4/97 at par, b1) Priced today, c) Callable on 28/ 5/68 at par, c1) 64%b to 28/5/98 and 8% threaster. d) ammt Lloor + Isbu, a) Folger, 24/4/96, 14/96, then 6% to 19/6/00 and 8% thereafter, g) Fungible with L650bn, Pixe 104 days accured. Ij Long first coupon, a) Short 1st coupon,

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS	BURD FUTURES OFTIONS (UFFE) DM250,000 points of 100%	FT-ACTUARIES FIXED INTEREST INDICES
Red Day's Week Month Coupon Date Price change Yield ago ago	Strike CALLS PUTS PUTS Price May Jun Jul Sep May Jun Jul Sep	Price Indices Wed Day's Tue Accrued xcl adj, UK Galles Apr 17 change % Apr 18 interest ytd
Australia 10.000 02/08 108.1720 -0.270 9.05 9.00 8.72 Austria 6.125 02/06 87.3800 -0.070 6.48 8.63 8.47	9600 0.48 0.84 0.61 0.95 0.20 0.61 1.26 1.60 9660 0.17 0.57 0.42 0.78 0.44 0.64 1.57 1.91	1 Up to 5 years (24) 121,51 -0.25 121,82 2,58 2,48 5 y 2 5-15 years (18) 144,99 -0.57 145,82 2,82 2,79 15
Belglum 7,000 05/06 101,9300 -0,190 6,73 8,71 8,79 Canada 8 8,750 12/05 106,9800 -0,210 7,72 7,75 7,50	1770g 0.05 0.36 0.28 0.58 0.82 1.13 1.93 2.23 Est, vol. total, Calls 12740 Puter 12170. Previous day's open int., Calls 250804 Puter 207617	3 Over 15 years (5) 159.25 -0.56 160.16 2.81 3.48 20 4 knedesmables (5) 162.71 -0.86 184.34 4.11 1.47 kne
Denmank 8.000 03/08 104.2400 -0.080 7.38 7.50 7.50 France BTAN 5.750 03/01 99.8750 -0.130 5.79 5.67 5.60	Italy	5 All stocks (58) 140,72 -0.46 141.37 2.77 2.78
OAT 7,250 04/06 104,7900 -0.230 6.56 6.65 6.60 Germany Bund 6.000 02/06 96,7200 -0.370 6.45 6.43 6.36	I NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES (LIFFE)" Liza 200m 100ths of 100%	Index-tisked
Instand 8.000 06/06 101.3700 -0.080 7,78 7,96 7.81 Insty 9.500 02/06 85.4700 -0.590 10.24† 10.28 10.22 Japan No 140 6.690 06/01 119.2710 -0.330 2.40 1.91 1.83	Open Sett price Change High Low Est vol Open Int.	6 Up to 5 years (1) 196.06 - 196.07 4.22 0.00 Up 7 Over 5 years (11) 196.16 -0.14 185.42 1.09 1.33 Ov
No. 182 3.000 09/05 67.4990 -0.420 3.35 3.20 3.22 Netherlands 8.000 01/06 87.0600 -0.420 3.35 3.20 3.22	Jun 110,95 110,12 -0,84 110,95 109,92 51997 49392 Sep 110,13 109,54 -0,84 110,13 109,90 5 268	6 All stocks (12) 196.30 -0.14 186.56 1.16 1.30 Average gross redemption yields are shown above. Coupon Bandst. Low: 0%-7%%; Medium: 8%-10
Portugui 11,875 02/05 115,9000 -0,100 8,16 9,27 8,65 Spuin 10,150 01/08 104,8000 -0,430 9,35 9,48 9,88	IL ITALIAN GOVT. BOND (BTP) FUTURES OFTIONS (LIFFE) Lin200m 100ths of 100%	
Sweden 8,000 02/05 85,1760 -0.320 8,45 8,46 8,62 UK Gits 8,000 12/09 101-23 -17/32 7,55 7,48 7,10	Strike CALLS CALLS Price Jun Sep Jun Sep	
7.500 12/08 95-19 -18/32 8.12 8.10 7.86 8.000 10/08 106-01 -20/32 8.22 8.16 8.00	11000 1.51 2.26 1.39 2.72 11050 1.28 2.03 1.64 2.99	FT FOCED INTEREST INDICES
US Treasury \$ 5.625 02/06 93-19 -6/32 6.52 6.59 8.06 8.000 02/26 88-24 +1/32 6.81 6.88 8.40	11700 1.05 1.81 1.93 3.27 Ent, vol. toht, Cells 3236 Puez 2823. Previous diry's open int., Cells 82778 Puez 79462	Apr 17 Apr 16 Apr 15 Apr 12 Apr 11 Yr ago High" Low" Clove Secs. (UK) 92.19 82.42 92.36 82.29 82.04 92.12 95.34 91.97
ECU (French Govit) 7.500 04/05 103.3000 -0.110 6.99 7.05 6.92 London closing, "New York mid-day Yieka: Local market standard.	Spain	Fised Interest 111,83 111,96 111,90 111,78 111,71 111,28 115,23 110,74 * for 1986, Government Securities high since compliation: 1274 (\$300,330, low 49,18,183,901/76), Fbed 1310/25 and Fred Interest 1982, 86 actively indices indused 1974
† Gross (including withholding tax at 12.5 per cant psystels by nonresidents) Prices: US, UK in 30nds, others in doctmet Source: Mit8 Internetional	NOTIONAL SPANISH BOND FUTURES (METF)	15/10/25 and Flored Internet 1928. SE activity indices rebused 1974
US INTEREST RATES	Open Settprice Change High Low Est. vol. Open Int. Jun 98.03 97.55 -0.43 98.08 97.51 59.831 42,128	FT/ISMA INTERNATIONAL BOND SERVICE
Latest Treasury Bits and Bond Yields One coefficiency 6,16 Two year	UK	Listed are the latest international bonds for which there is an adequate secondary market. Latest prices
Prince rate 84, Two punch 4,90 Three year 6,09 Bruker low rate 7 Three modils 4,94 Five year 8,32	MOTIONAL UK GR.T FUTURES (LIFFE)* £50,000 32nds of 100%	Sentend Bild Offer Chy, Yield Ison
FellAnde 52 Str month 523 10-year 621 FellAnde at Istantuctur. Cor year 5.49 30-year 6.60	Open Sett price Changes High Low Est. vol Open Int. Jun 105-27 105-09 -0-20 105-28 105-08 55238 122961	LLS, DOLLAR STRAIGHTS Sweden 6 97 2 Abbry Neit Treevry 6 ¹ 2 08 1000 97 ⁵ s 97 ⁷ s 8.83 United Kingdom 7 ⁴ s 97 5
	Sep 104-09 -0-20 0 165	ABN Armo Bank 7% 00 1000 100% 1012g _ 7 724 Voltamagen tell Pin 7 08 1 Aktoen Dev Bx 7% 23 600 96% 87% 27 7.05 Works Bank 0 15 2
	Strike CAULS PUTS	Alberta Province 75 19
BOND FUTURES AND OPTIONS	Price Many Jun Jul Saip Many Jun Jul Saip 105 0-37 1-12 1-02 1-38 0-10 0-58 1-48 2-18	Autobia 5/2 00 400 105 ² /2 105 ² /4 4 557 Addres Dev Bank 0 16 1 Bedge-Munet L-Fin 5 ² / ₂ 00 1000 105 105 ² / ₄ 4 557 Addres Dev Bank 0 16 1
	108 0-10 0-44 0-43 1-11 0-56 1-26 2-25 2-57 107 0-01 0-24 0-27 0-55 1-47 2-06 3-09 3-57	Bartis Ned Generation 7 98 1000 102 102% 6.30 Autoit 4/2 00 11 Bartyan Verenizabis 8/2 00 800 10/2 105 6.81 Council Except 4/4 88 10 Bartuan 5/6 03 1000 91% 82% 4/2 6.91 Demant 4/4 68 10
Franco	Est. vol. total, Galla 3140 Puas 3445. Previous day's open Int., Galla 42799 Puts 41979	Ballinh Columbia 7% (22 500 1047 1047 - 6.85 EB 34; 89 10
III NOTIONAL FRENCH BOND FUTURES (MATH) FP:500,000 Open Sett price Change High Low Est vol. Open Int.	ECH BOND FUTURES (MATE) ECU100.000	876ah Gas 0.21 1500 157g 14 8.11 68 65k 04 3 Canada 65k 00 1600 967g 957g 1-g 7.03 Friderid 75k 00 3 Canada 85g 87 2000 1007g 1005g 1-g 5.59k katerid 75k 00 1
Jun 122.06 121.96 -0.16 122.06 121.84 97,425 153,359	Open Sett price Change High Low Est vol. Open int.	Callence 2: 97 2000 100° 100° 100° 100° 100° 100° 100°
Sep 120.76 120 64 -0.16 120.78 120.56 403 5.591 Dec 119.46 119.36 -0.16 119.46 119.30 383 619	Jun 90.48 90.42 -0.08 90.48 90.38 2,331 7,551 Sep - 89.96	Credit Forndar 6 ¹ / ₂ 00 200 100 ⁵ / ₁ 108 -
IL LONG TERM PRENCH BOND OPTIONS (MATTF)	Us	Einit, Japan Railway 65, 04 500 975, 977, -5, 7.02 Sweden 45, 03 1 Eile 6 04 500 00 954, -5, 6.54 World Bank 0.21 1
Price May Jun Sep May Jun Sep	IL US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%	E8 94 97
1199 · 0.01 0.10 · 1290 1.966 - · · 0.29 · 1291 1.960 · 1.29 0.09 0.51 1.78	Open Latest Change High Low Bet. vol. Open int. Jun 110-10 109-24 -0-17 110-11 109-10 284,249 361,005	Ex-im Bank Japan 0 02 600 105% 105% -4 6.84 YEN STRAIGHTS
122 0.33 0.66 - 0.34	Sep 109-19 109-07 -0-17 109-03 109-03 4,406 20,565 Dec 108-26 108-25 -0-15 108-20 106-20 233 5,232	Biport Day Copp 94, 00 150 100% -1g 6.33 Seligitan 5 59 750 Exam Capital U 04
123 0,06 0,44 - Est, vol. total, Calla 9,534 Pota 6,506 . Pravious day's open int., Calla 158,232 Puts 180,469.		Finderal Nutl Mort 7:40 04
Germany	Japan II Notional Long Term Japanese Govt. Bond Putures	Ford Motor Credit 6% 88
IN NOTIONAL GERMAN BUND FUTURES (LIFFE) DN250,000 100ths of 100%	(LIFFE) Y100m 100ths of 100% Open Close Change High Low Est. vol Open Int.	Ni Financia 5% 00 500 97% 97% 6.34 Japan Dav Bk 500 1000 Inter-Amar Dav 5% 00 1000 94% 95 Japan Dav Bk 6% 04 1200
Open Settprice Change High Low Est vol Open int. Jun 96.53 96.23 -0.42 96.58 98.19 129838 202054	Jun 116.00 118.14 117.97 1786 0 Seo 116.95 117.04 116.95 25 0	htten-Anser Dev 7/200
Sep 95.61 95.35 -0.40 95.81 95.42 232 6221	* LIFFE lutures also traded on APT, All Open interest figs. are for previous day.	anty 6 ² 22
UK GILTS PRICES		Konga Bic: Power 6Fy 03 1000 100
		Ortegio 7% 03 3000 102 ⁴ 2 102 ³ 4 - ¹ 8 7.02 MG Deut Induntiti 6% 03 LF 30 Ortegio 7% 03 3000 102 ⁴ 2 102 ³ 4 - ¹ 8 8.67 Tactubel Invest 8% 04 LF 10
House bit Red Price E + or - Figh Low Motor Lat	fald	Portugai 5% 00 1000 23% 83% 6.95 ABN Arano 5% 00 F 10 Cumber Hydro 9% 98 150 105% 107% +% 6.58 Anatola 6% 00 F 10
Sheeter" (Linux up to Files Yours) Trans 12 ¹ /202 2003-5 10.03 Trans 15 ¹ /202 1900;;; 18,19 8.18 100;;; 109 100;; Trans 0 1/202 2005;;; 8.27	8.10 1244 1315 1222 Inter-Links (%) 0.00 1223 1003 995 45c 997	Cuebus Piov 0 98 200 104% 106% 8.42 Bail Canada 10% 99 C8 1 S4S 10 00 200 1084 108% 8.72 Battab Columbia 7% 00 C5 12
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	a.20. 1874 1 1872 - 1974 2 2014	Welt Diancy 5% 01
Thema 74 up 1998 11	Prospective real redemption rate on projected infation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for Indiating (6 5 months prior to issue) and have been adjusted to	World Bark 61 98
Treas Flig Flats 1990	reflect relocating of RPI to 100 in February 1987. Convention factor 3.945. RPI for July 1995: 149.1 and for February 1998:	DEUTSCHE MARK STRANGHTS Demosk 0/2 02 Ext 10
Buch 124upt 1999	8.30 195 -3 1724 1033 150.9 8.31 1063 -3 1734 1044	Austria 6½ 24 2000 001; 503 _1, 7,55 EC 8 00 ED 11 Backer-Huett L-Phance 8 99 _ 2000 1001; 1051; -1; 4,74 EE 1004 Eo 11
Conversion 104.pp 1040. 5.45 7.44 1082 -2 1121 1081 Trans 54pt 2001-1247. 7.13 Conv for 200011		Canada Fonciar 74, 00 2000 9654, 9754 7.57 Ferro dal Stat 104, 98 Ecu 5 Decement 64, 00 2000 10354, 10874, 4.13 Juny 104, 00 Ecu 10
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Trans 800 20001;;	6.30 57613 104-3 254Yeiti 26 week 8.34 104-3, -13 1115, 102,7Rotas het Rule Price 2 + erNath Low 8.42 1223 1413 130,7	550 6 ¹ / ₂ 00 2000 104 ¹ / ₃ 104 ¹ / ₂ 522 Carray St Australs 13 ¹ / ₃ 59 AS 11 556 6 ¹ / ₂ 00 1500 105 ¹ / ₃ 103 ¹ / ₄ J ₄ 528 55 7 ¹ / ₃ 59 AS 3
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Hone to Filling Years . They Juc 2001 #1	9rc Lap 1995	Catario 64, 04
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Contraction of the Address of Charles		© The Rearcial Times Ltd., 1998. Reproduction in whole or is part in any form not parrilled without writen
In Tap' slook, 12 Tax-bee to non-residents on explication. E Auction base, so be awares, closed Prospective real index-Linked redemption yields are calculated by HSBC Generative from Bank of English Prospective real index-Linked redemption yields are calculated by HSBC Generative in the Bank of English and the second se	ere ogeng pilots.	
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to defaulting on \$29hn of mates there are currently short-term debt. Goldman Sachs, Chase Secuabout \$23bn of Mexican Brady

bonds in circulation. rities, Deutsche Morgan Gren-The new issne, ha said, fell/CJ Lawrence and Salomon would lengthen the maturity of Brothers managed the deal. Mr part of Mexico's sovereign debt Guillermo Ortiz, Mexico's and reduce servicing costs. finance minister, said the new He said the government issue reflected the governwould use the collateral of ment's belief that Mexico was repurchased Brady bonds to paying investors too high a retire mora axpansiva short-term debt. premium for assuming Mexi-For the purposa of tha exchange, the value of Mexico's discount bonds has The Mexican governmant also argues that its Brady bonds do not efficiently meabeen set at \$772.50 per \$1,000 aure Mexican risk. Brady (based on their recent trading bonds, named after Mr Nicho-las Brady, the former US Treaprices); the value of Mexico's par bonds will be based on a sury Secretary who halped spread of 3.5 per cent over Mexico restructure its foreign

to 10 basis points if it draws the yield on the US Treasury more than one-third of the 6% per cent bond due August 2025 as of April 26 this loan. Maturity is five years, but since the loan is amortis-

The facility, which the com pany will use to refinance lines exist expansion ship launa tion Ma resp

ing the average life is 4¼ years.

ting lines of credit and	
and its group of relation- banks, is expected to be inched into general syndica-	D-MANWOS AKE Privat-und Handelsbank; Hewlett-Packard Fin Corp(s) BMW US Capitel Corp(s)
by the end of the month. aanwhile, a positiva onse from the 15 banks	ewites FRANCS Unitevents) Canon Chemicale(e)++
ted to participate in the	FRENCH FRANCS Kansai Electric Power Co

By yesterday, \$100m had been raised from the market, leaving only another \$30m to com-

for Irish gilts,	spread of 15 basis points over Treasuries widened slightly to close at 18 over. However, according to joint leads Com-	
looks	NEW	
IUUAS	Amonia	

DM200m of three-year bonds at a spread of 13 basis points over bunds which was aimed mainly at Swiss retail investors, lead manager SBC Warburg said.

INTERNATIONAL BONDS The French franc sector saw

a FFr3bn 10-year offering for Japan's Kansai Electric Power. "It went very well - a lot of people who didn't get paper in [Monday's] Japan Exim Bank issue bought this deal," said an official at Banque Paribas.

which jointly led the deal with Merrill Lynch. Elsewhera, the Federal National Mortgage Association (Fannie Mae) launched a \$500m

maturity. However, according to lead manager BZW, the issue's government guarantee and OKB's relative rarity in the dollar sector justified the terms. "The issue came 5 basis

points inside Deutsche Bank's honds [launched Tuesday] .

official said.

the City of Stockholm has raised the possibility the loan could be increased to \$300m.

Credit Suisse, the arranger and co-arrangers ABN Amro. Deutsche and Enskilda, have already committed \$30m each.

plete the transaction.

Treasury bonds, Mr Ortiz esti-				year.				ing	the av	erage 1	ite is 4	54 3	
T BC	NDS	-	-		BUND	FUTURES	OPTIONS	s (LIFFE) D	M250,000	i points o	f 100%		
Price	Day's change	Yield	Week	Month	Strike Price	May	Jun		Sep	May	Jun	л\$ Jul	

Price Indices UK Giller	Wed Apr 17	Dey's change %	Tue Apr 18	Accrued Interest	xd adj. ytd		Apr 17	Apr 16	yield — Yr. ego	Apr 17	асощрен Арг 16	Yr, ago	Apr 17	Apr 16	ylak Yr,
Up to 5 years (24)	121,51	-0.25	121,82	2.58	2.45	Syns .	7,64	7,51	8.29	7.86	7.54	8.37	7.77	7.64	8.
2 5-15 years (19)	144,99	-0,57	145,82	2.82	2,79	16 yrs	8,26	8.10	8.36	8.29	6.20	8.44	8.37	8.29	8.
Over 15 years (9)	159.26	-0.58	160,16	2,81	3,46	20 yrs	8.32	8.26	8.34	8,32	8.26	B.44	8.40	8.33	8.
irredeemables (6)	182,71	-0.89	184.34	4.11	1.47	Inned.†	8.38	8.30	8.38						
5 All stocks (58)	140,72	-0.46	141.97	2,77	2.78										
	-						· •	- Infiatic	M 5%			- Inflation	: 10%		
nciest-liniced			· ·			· · · ·			16 Yr. 1			17 Apr			
Up to 5 years (1)	196.06	-	196.07	4.22 .	0.00	Uptosy	15 2	.99 2	96 3.	36	1.7	1.7	1 1.7	/9	
Over 5 years (11)	186.16	0.14	186.42	1.09	1.33	Over 5 yr		73 3.	72 3.	82	. 3.5	4 3.5	19 3LÈ	វា	
6 All stocks (12)	186.30	-0.14	186.55	1.16	1.30										

Ciments Français, the French cement group, is seeking to raisa FFr1.5bn through a revolving credit facility arranged by Credit Suisse and Société Générale.

The multi-currency facility, which is fully underwritten by both banks, carries a margin of basis points.

By Antonia Sharpe

45 basis points over London interbank offered rate (Libor) and a commitment fee of 20 The company will also pay a utilisation fee ranging from 5

Ciments Français

to raise FFr1.5bn

invi

\$250m seven-year facility for

GILT EDGED ACTIVITY INDICES

Apr 15 Apr 16 Apr 1 Apr 10 84.5 87.8 74.7 82.0 79.7 64.9 Offit Edged burgsi 5-dev sverage 86.4 83.9 94.2 89.1

AL BOND SERVICE dary market. Lakest prices at 7:10 pm on April 17 Issued Bid Otler Chy. which there is an adequate Offer Chg. Yield 108 1047 1025 1025 1025 1025 1025 100 100 106¹5 10475 1027 90¹5 90¹5 3.91 3.77 6.52 6.21 6.04 Abbay Null Treasury 5 03 £ Allence Loice 11¹g 97 £ British Land 8²g 23 £ ___ 1000 ____ 100 2500 Senden 6 97 974 1045 9954 9954 9954 1094 1094 1001 1114 100 1005 1147 5500 1000 2000 4 イイイイ E 0 09 £ . 000 600 500 153 400 200 300 2 00 #8 mm Giano Wellcome 84, 00 £ ... Haveon 10¹9 97 £ ... HSBC Holdings 11.60 02 £ ... Japan Dev Bk 7 00 £ Land Sect 9¹2 07 £ Ontatio 11¹2 01 £ ... 35-105-105-105-114 113 115-105-111 6.33 Austria 412 00 Council Europe 1000 250 1000 1000 299 275 257 433 355 438 458 458 458 557 4 44 98 Ż Denmark 4 EBB 34; 98 444 EE 64,0 300 Powargen 6% 00 £ Ż 300 100 Inter Amer Dav 44, 0 Octasio 64, 03 Qualue Hydro 5 00 SNCF 7 04 Swadan 4³g 03 World Bank 0 21 モイイヤヤイイイイ World Bunk 12¹2 87 N23 Credit Local 6 01 FFr - 250 1000 1000 117¹2 103³4 27 115¹2 k 812 98 FF a 6% 22 FF C.qu YEN STRAGETTS Belgium 5 99 _____ Credit Foncier 4¹4 00 EB 8¹8 00 _____ . 1000 23.81 98.46 93.46 93.48 97.86 100.01 100.00 100.01 93.59 100.00 100.10 93.59 100.00 93.59 100.03 93.59 100.03 93.95 93.95 93.95 93.57 93.57 \$2.88 86.97 99.54 96.65 96.75 96.51 100.100 100.09 99.62 90.77 100.28 100.00 90.92 90.77 100.28 90.75 90.75 90.75 90.95 90.95 90.95 90.95 Abbay Nell Treasury -,5 69 ... Bentameter 1g 00 Canada -1g 99 Contractive QS Fin -1g 99 Contractive QS Fin -1g 99 Credit Lycennie 0,30 99 Credit Lycennie 0,30 99 Descher Frience 3, 00 DM ... Fed Nel Mot -2g 00 Friend 0 97 Friend 0 97 Friend 0 97 Friend 0 97 Metanic 1g 99 Metanic 1g 99 217 4.44 227 321 2.89 3.00 2.01 2.85 2.91 1.45 2.80 ********** 73000 100000 4 30000 Ż 300000 200000 100000 100000 120000 125000 125000 Ż -1 haly & 99 haly & 90 UGS Backen-Wuert Fin -Jg (Lloycle Bank Perp 9 0.10 Malaysia & 95 1500 8.81 8 4.677 5 5 39 8 6 39 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 8 97 7 7,55 8 9 9,14 8 9,14 8 9, 3000 1000 1000 unt Fin -1, 98 __ Malaysis & 20 Naw Zosland Nove Scote (Ontario 0 00 ... Rente 0 98 ... State Elk Vicio Sweden 0 98 Sweden 0 98 +4 1000 150 1250 4 - 130 - 275 - 400 - 500 - 500 - 500 - 500 - 500 - 150 - 150 - 100 oria 0.05 Rf ----**ずややくやや** New ist Rin 104 CS Nippon Tel Tel 104 CS Ontario 8 (8) CS Contario Hydro 10⁵, 69 CS Contario Hydro 7 64 CS Contario Hydro 7 74 CS CONTARIO Hyd 95% 102% 00% ーーーーー Conr. Issued Price Bid Other Press EE Finance 6% 08 £ ... Gold Keigootie 7½ 00 ... Grand Matopolitan 6½ 0 Hereon 6½ 88 £ Hereon America 2.38 01 Hong Kong Land 4 01 ... und Seas 6% c2 c 438 . 65 +38.57 +14.85 +13.09 +30.87 +30.87 +65.76 -14.87 +0.77 6.4 1.37 2.46 9.6375 37.05 6.72 6.94 23826 2.383 4.33 38.077 Counci Europe 9 01 Ecu 512 00 +4 Dermerk 8¹2 02 Ecz . EC 8 00 Ecu 4 420 2 オオキ 7.374 7.4737 7.4737 7.4737 7.4737 7.4737 7.4737 7.473 7.473 7.473 7.473 7.473 7.473 7.473 7.473 7.473 7.4737 7.4737 7.4737 7.4737 7.4737777 7.4737 7.4777 7.47777777 7.47777777 EE 1004 Ecu Ferro del Stat 10% 98 Ecu Indy 10% 00 Ecu United Kingdom 9% 01 Ecu 64022 Lasmo 7% 00 C ももそやややるややや やそそそや 300 100 250 . 85 28.53 +50.91 +44 +54.36 +7.49 +59.59 +21.17 ADC 10 00 AS . Caren Sk Autor EIS 74: 99 AS ... ania 131, 59 AS . 8.8097 78 3906.9 3.9 5.05 Zmp 0 20 AS ____ FL 1 Bank 74, 00 AS . State Six NSW 9 02 AS Sib Aust Gost Fin 9 02. 300 155 +1120 and: Hogs 5-2 09 1 . 230

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الم الإنتان وهذا

-----ATTACKA BUNT SSUES

that private opinion polls showed the weekend elections · · · · · likely to produce a hung paritament - the least favourable outcome for markets looking for strong government.

The lira closed in London at L1.045 against the D-Mark, from L1.043. During the day it touched L1,047, having recently dipped below L1,040. The D-Mark was also stron-

ger against the French franc, helped by comments from the IMF thet it foresaw the possi-bility of "renewed turbulence" I Per Apr 17 £ spoi 1 mb 3 mb for the franc. The dollar was little 1) changed, closing at DM1.5073,

The main exception to the

general torpor, which was rem-

iniscent of the pre-Easter trad-

ing conditions, was the Italian

lira. It lost ground on rumours

from 98.46.

at \$1.5085, from \$1.5082.

against the dollar, from R4.225.

In Washington, Mr Michael Mussa, the IMF's economic

counsellor, said that the speed and acceleration of the rand's

decline in recent days and

weeks had "not been a wel-

······· atest

1.5085 1.5058 1.5045 1.4975

- Prev. clone -1.5075 1.5085 1.5056 1.5056

ment. Although there was a futures contracts lost ground across the board. The Decemfair amount of news crossing the wires, it was unmatched by ber contract finished at 93.32, similar movement in prices. Although much of this was attributable to the market's Starling was unaffected by the excitement, finishing at

customary tendency to head for the sidelines ahead of a big DM2.2737, from DM2.2767, and event, there may have been The South Africa rand had a steadier day, closing at R423

more to it. Mr Malcolm Barr, currency analyst at Chase in London, said two other factors may have contributed to the recent quiet trading conditions. One was the generalised sell-off in bond markets during the first quarter, which had damaged the profitability of some traders and investors. The other was continued

uncertainty over big issues such as whether or not the single European currency would proceed. "People are not suffi1,000 100 110.00111 1.100 1,200 diffe to get the 1,300 1994 95

Source: FT Edul

ciently certain to put on any positions at the moment." Looking ahead to the Bundesbank meeting, Mr. Kit Juckes, currency strategist at NatWest Markets in London, said: "The trick is trying to keep the carrot of a rate cut in front of the market, but not letting the market eat it. The Bundesbank wants to engineer dellar/D-Mark higher without

of the D-Mark, a slight rise in inflation and continued strong money supply growth. One analyst said: "The danger is that investors may conclude that if the Bundesbank is stepping back from cutting rates because the D-Mark is softened, the German central bank Juckes. will resist any substantial weakening of the D-Mark later. That could prompt an unwinding of short D-Mark positions thet pushes the D-Mark up

again, capping dollar/D-Mark below DML50 again." A further risk for the dollar is the current position of the market. By the reckoning of one FX house, the market is now very short D-Marks, argu-ably shorter than at any time over the past three years.

The short sterling strip is now discounting a rise of

the minutes of the March mon-etary meeting, released yesterday, showed a need for interest rates to rise. But the most recent data releases appear to have scotched talk of a further cut in rates. "Room for a further rate cut at this stage is vanishing fast," said Mr

While sterling appears stuck in a range, Mr Juckes said his concern was the economy's inability to take advantage of such a competitive currency to deliver export growth. He said this augured poorly for the .country's trade performance, and the currency.

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Apr 17 Casca Rp Hangery Iran 27.5820 - 27.5820 145.790 - 145.840 3000.00 - 3000.00 8.3001 - 0.3002 2.6240 - 2.6270 4925.00 - 4928.00 3.6722 - 3.6726 41.5962 - 41.6281 219.681 - 220.029 4528.10 - 4524.80 0.4528 - 0.4529 3.9575 - 2.9594 7427.89 - 7454.87 5.5384 - 5.5409

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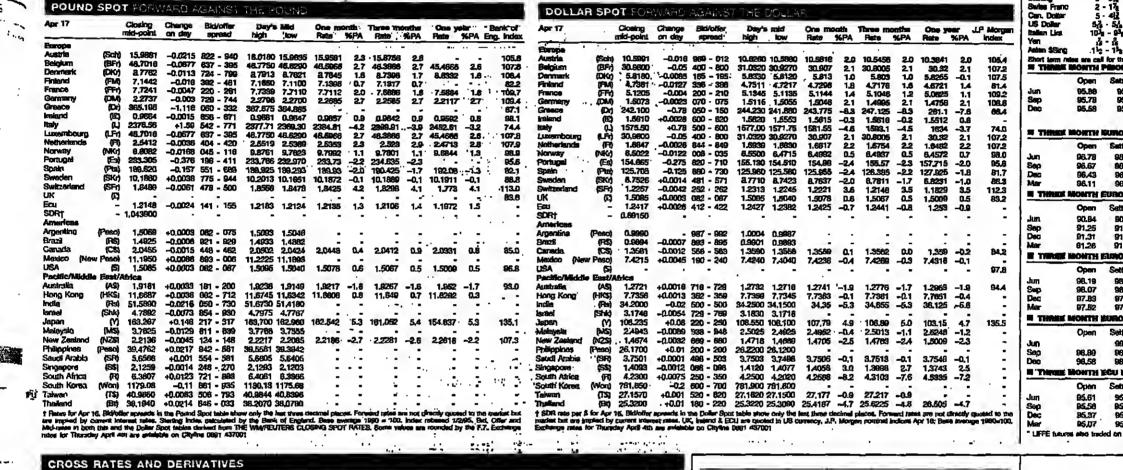
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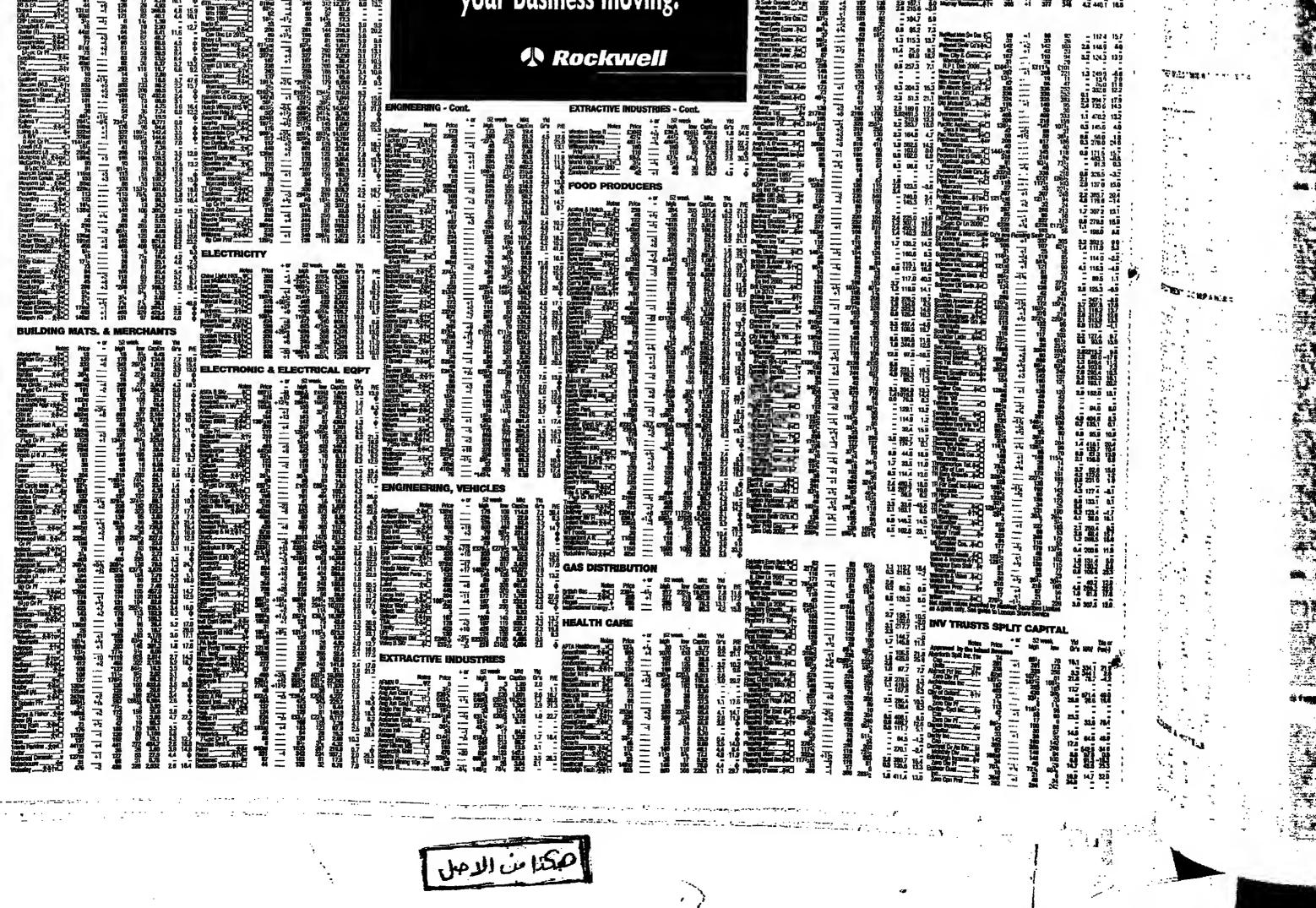
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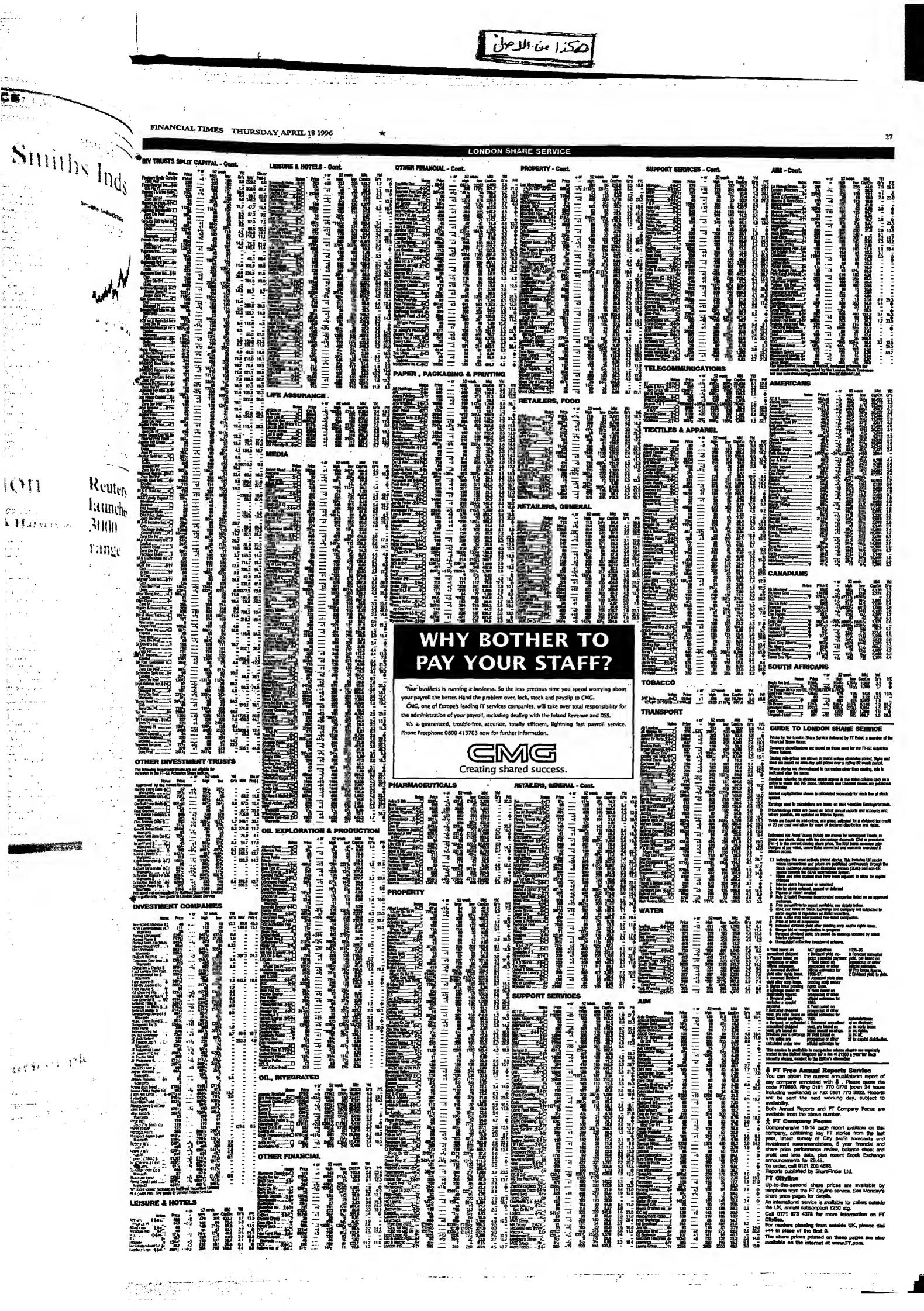
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EXCHANGE CROSS RATES Apr 17 BFF DKr FFr DM E L F Belgium (BFt) 100 18.78 10.54 4.899 2.069 5068 5.441	NKr Es Pis SKr SFr £ C\$ \$ Y Ecu 21.00 498.6 408.0 21.80 3.957 2.141 4.379 3.231 349.5 2.602	Structuoiders of Easelve AB are hereby invited to strend the Annual General Meeting of	Futures Traders:
France (FF): 60.46 11.36 10 2.944 1.251 3078 3.290 Germany (DM) 20.54 3.899 3.397 1 0.425 10.45 1.17 Invitand (D) 4.844 9.095 7.995 2.354 1 2460 2.630 Italy (L) 1.956 0.396 0.325 0.0985 0.041 100. 0.107 Netherlands (F): 18.38 3.454 3.040 0.2955 0.420 935.1 1. Norway (N(r) 47.51 8.946 7.875 2.319 0.985 2.423 2.581 Portugat (Ea) 2.022 3.752 3.311 0.2955 0.424 1.081 Portugat (Ea) 2.022 3.752 3.311 0.2955 0.414 1.081 Spate (Fib) 24.63 4.628 4.074 1.199 0.509 1253	12.70 902.0 245.5 13.18 2.393 1.295 2.648 1.954 211.3 1.573 4.313 102.6 83.38 4.477 0.613 0.440 0.669 0.664 71.77 0.534 10.15 241.5 196.3 10.54 1.913 1.095 2.117 1.562 168.9 1.258 0.413 9.816 7.980 0.428 0.078 0.042 0.086 0.664 6.969 0.051 3.860 91.81 74.62 4.006 0.727 0.394 0.805 0.594 64.23: 0.478 10 237.9 193.3 10.36 1.864 1.220 2.065 1.539 166.4 1.230 10 237.9 193.3 10.26 1.864 1.220 2.065 1.539 168.4 1.230 4.204 100 81.27 4.363 0.792 0.429 0.877 0.647 69.95 0.521 61.73: 1.23.0	fite Company to be held on Wednesdny, Sin May, 1996, at 4.00 p.m. at the offices of the Company, Sundbyhengvägen 1, Solins, Sweden. Notification Shareholders who wish to participate in the Meeting mean notify the Company not later from 4 p.m. 3rd May, 1996, by writing to Esselte AB, Box 1371, S-171 27 Solina or by telephone int + 468 372 760. Shareholders most state their name, personal or registration number (where applicable), address and telephone number. Right to participate	Save on Every Trade • Past fills. • Access to worldwide markets. • 24 hour, call-free service. • Institutional rates for currency conversions. • Past fills. • Access to worldwide markets. • Institutional rates for currency conversions. • Past fills. • Past fills. • Access to worldwide markets. • Institutional rates for currency conversions. • Past fills. • Past fills. • Past fills. • Access to worldwide markets. • Institutional rates for currency • Past fills. • Past fills.
Sweden (SR) 45.97 2.621 7.587 2.234 0.949 2334 2.496 Switzertend (SF4) 25.27 4.746 4.180 1.231 0.523 1296 1.375 UK (C) 46.70 2.776 7.724 2.274 0.966 2376 2.541 Canada (CS) 22.84 4.291 3.777 1.112 0.472 1162 1.243 US (S) 30.95 5.816 5.118 1.507 0.640 1575 1.684 Japon (Y) 28.62 5.337 4.733 1.399 0.592 1456 1.557 Ecu 38.44 7.223 6.367 1.872 0.785 1956 2.091	a.636 229.2 188.2 10 1.815 0.982 2.009 1.482 160.3 1.194 5.307 126.2 102.5 5.509 1 0.541 1.107 0.817 .8331 0.657 9.008 233.3 199.65 10.16 1.846 1 2.045 1.509 163.2 1.215 4.796 114.1 92.71 4.978 0.904 0.489 1 0.738 79.80 0.594 6.500 154.6 125.6 6.746 1.225 0.663 1.355 1 108.2 0.805 0.010 143.0 116.2 6.238 1.132 0.613 1.255 0.925 100. 0.744 8.072 192.0 156.0 8.379 1.521 0.823 1.242 134.3 1 nuclo, Lina and Peneta per 100. 100.1 100.1 100.1 124.2 134.3 1	To be entitled to participate in the Annual General Meeting shareholders must be recorded in the share register transmittion issued by Värdepapperscentralea VPC AB (Swedish Securities Register Centre) as m 26th April, 1996. Shareholders whose stares are registered in the name of a trust department of a bank or a private broker must in due time process through their bank or broker that their shares on the said date are temporarily registered with VPC in their own name. Agenda	Full range of trading support-free Nearty \$500 million in customer deposits free distributed of the state of the super state of t
Open Latest Change High Low Est. vol Open int. Jun 0.6651 0.6653 -0.0005 0.6651 0.6652 14.808 79.905 Sep 0.6698 0.6690 -0.0005 0.6698 0.8890 646 2.670 Doc 0.6725 - 15 193 # SWISS FRANC FUTURIES (MM) SFr 125,000 per SFr - 15 193	Image: state state Change High Low Est. vol Open int. Jun 0.9322 0.9323 +0.0004 0.9333 0.9306 13,691 77,418 Sep 0.9425 0.9420 -0.0010 0.9425 0.9420 253 2.049 Dea 0.9550 - 1 1.069 1 1.069	At the Armani General Meeting; the following matters will be addressed: Election of a Chairman for the Meeting; Preparation and approval of the voting flat; Election of two persons to check the minutes; Resolving whether the Meeting has been properly convented; Presentation of the Company's annual financial report; the Esselte Group's consolidated annual formerial report and the autions' reports; Resolvings concerning adoption of the profit and loss account and the balance sheet and also of the compolidated profit and loss account and the balance sheet and also of the compolidated profit and loss account and the balance sheet and also of the compolidated profit and loss account and the balance sheet and also of the compolidated balance sheet and also of the co	NOTICE TO HOLDERS OF
SAD 0.8273 0.8274 +0.0015 0.8275 0.8273 194 1.499 Dec 0.8350 0.8340 0015 0.8275 0.8273 28 665	Sep 1.5030 1.5040	 sheet; Resolutions concerning the allocation of the Company's profits according to the adopted balance sheet; Resolutions concerning the discharge from liability of the members of the Board of Directors and the Managing Director; Determination of the number of the Board members and deputies for them, and of auditors and deputy auditors; 	UNITED MICROELECTRONICS CORPORATION US\$150m 1.25% Bonds Due 2004 (the 'Bonds') Notice is hereby given that pursuant to Clause 6 (A)(c) of the Trust Deed between the Trustee and United Microelectronics. Corporation, dated June 8, 1994 (the 'Trust Deed'), we hereby notify you that the company has declared a stock dividend in 1996. On February 15, 1996, the Company's Board of Directors adopted a trasolution proposing that the Company's Board of Directors adopted a trasolution proposing that the Company declare a stock dividend in its holders of
Apr 17 Over- nght 7 days notice One month Three months Sto One months Interbank Stering Scoring CDs G12 - 514 61/s - 517 6 - 576 61/s - 512 51/s - 5	Spatic 162.463 158.619 +0.047 -2.39 4.52 17 Netherlands 2.15214 2.12531 -0.00067 -1.25 3.32 9 Belgism 39.3650 39.0513 -0.00071 -0.87 2.63 6 Austria 12.4303 13.3696 -0.004 -0.51 2.55 4 Germeny 1.91007 1.90120 -0.00067 -0.48 2.50 5 Portugal 195.792 195.140 -0.029 -0.33 2.37 2 Demminift 7.28500 7.33934 -0.00265 0.73 1.28 -5 France 6.40028 6.40024 -0.00265 0.33 1.16 -7	 Election of the Board of Directors; Appointment of auditors; Decision Proposals Shareholders who together represent more than 38% of the number of votes for all shares in the Company have announced that they will make the following proposals at the Annual General Meeting. Directors of the Board: Six directors with no deputy directors. Re-election of Urban 	common shares (i.e. one existing share will receive 0.93 common shares). As required by law, the above-stated proposal has been considered and approved at the Company's Shareholders Meeting, which was held on April 11, 1996. United Allerenelectromics Corporation April 18, 1996
Un cleaning bank basis basis tending ratio 6 per cent from March 8, 1996 Up to 1 1-3 3-6 6-9 8-12 month month month month month month month Lerts of 1ox clep (f 100 000) 212 512 5 5 434 Cents of 1ox clep (f 100 000) 2150 Deposes withdrawn for cents 1 4pcc. Per tender rate of decision the period Apr 26, 1998 to Nev 25, 1998, Schemes II 6 10 7.33pc. Relevence rate for period Ater 1, 1999 to Mar 26 1998, Schemes IV & 133pc. Relevence rate for period Ater 1, 1999 to Mar 26 1998, Schemes IV & 133pc. Relevence rate for period Ater 1, 1999 to Mar 26 1998, Schemes IV & 133pc. Relevence rate for deput 1, 1990	NON ERM MEMBERS Greace 202.087 305.542 -0.548 4.33 -2.20 - Italy 2106.15 1985.31 -1.11 -5.74 8.24 - UK 0.785682 0.835390 +0 6.20 -3.82 - Ecu central cases and by the European Commission. Currenced are in descending method strength. Personalize changes are to fiber a possive change dances a week currency. Desrgance shows the ratio between two spreacts the percentage difference between the actual market and Eco central case for e currency, and the method percentage difference between the actual market and Eco central case. Eco central case. If the supercentage difference between the actual market and Eco central case. To result and the supercentage difference between the actual market and Eco central case. If 1769803 Betroy and balan Line supercented form BRM. Adjustment casculated by the Financial Tenes. In prescance LPMERA SE 2/3 CHITIONS C31,250 (centre per pound)	and Jan Söderberg. Rune Andersson, Carl Bennet, Jan Kvanström, Wille Laurén and Erik Söderberg have declined re-election. Directors' fees: SISK 860.000 to be distributed by the Board hetween those directors elected by the General Meeting who are nor employed by the Company. Auditors: Re-election of the suditors Stig Nilsson and Peter Markborn and the deputy auditors Ola Wahlquist and Reidar Peters. Auditors' fees: According to invoice. Directors' fees: According to invoice. Directors has proposed a dividend The Board of Directors has proposed a dividend of SEK 4 for each share. Provided that the Annual General Meeting determines the record date to be 13th May, 1996, VPC	RPS Residential Property Securities No.4 PLC E290,000,000 Chan M Notes
Open Sent proc Otating Page	Price Apr May Jun Apr May Jun 1.499 1.89 2.42 2.79 0.27 0.84 1.34 1.500 1.20 1.81 2.27 0.57 1.23 1.75 1.510 0.68 1.31 1.78 1.06 1.72 2.26 1.520 0.34 0.91 1.36 1.71 2.31 2.79 1.520 0.34 0.91 1.36 1.71 2.31 2.79 1.530 0.13 0.60 1.02 2.51 2.95 3.44 Previous day's vol., Calls 3.050 Puts 3.604 - Prev. day's coast str., Calls 148,951 Puts 152,380 3.404 3.404 3.404	BOARD OF DIRECTORS	Mortgage Backed Roating Rate Notes due 2023 Notice a hereby gran that there will be a principal reported of 0,567 per the Notes on the interest protect due 270,973 Note pursuant to Chaos (Sourd the Notes on the interest protect due 20th April 1996 to 18 October 1996 the notes will be or interest at 5.3125% per annum. Interest payable on 18 October 1996 toill amount to US\$27.01 per US\$1,000, US\$27.02,01 per US\$1,000, US\$27.02,01 per US\$1,000, US\$27.03 per US\$21,000, US\$27.03 per US\$21,000, US\$27.03 per US\$21,000, US\$27.03 per
If encoding standard operations (LEFE) (SOUTOD points of total PUTS Strike Juli Sap Dec Jun Sap Dec Ph.C Juli Sap Dec Jun Sap Dec 9376 0.33 0.20 0.19 0.04 0.22 0.62 9400 Un7 0.09 0.11 0.13 0.36 0.79 9425 0.12 0.04 0.07 0.35 1.56 1.00 List. vol. total. Jacks (J24 (Vap 9104, Previous de) 1 spon vol. Calls 12:053 Parts 112005 List. vol. total. Jacks (J24 (Vap 9104, Previous de) 1 spon vol. Calls 12:053 Parts 112005	Bit THEME MONTH EURODOLLAR (MMS Stm points of 100% Open Sett price Change High Low Est. vol Open int. Jun 94.54 94.51 -0.02 94.53 94.50 36,981 389,745 Sep 94.38 94.24 -0.03 94.38 94.35 55,826 355,279 Dec 94.11 94.07 -0.04 94.08 94.04 103,098 341,733 El us TREASURY HELL PUTURES (MM) Stim per 100%	THE CARE GAP	Contacting on the May 1996 will therefore to 152,406 per Max. NYTWENT MARKETS
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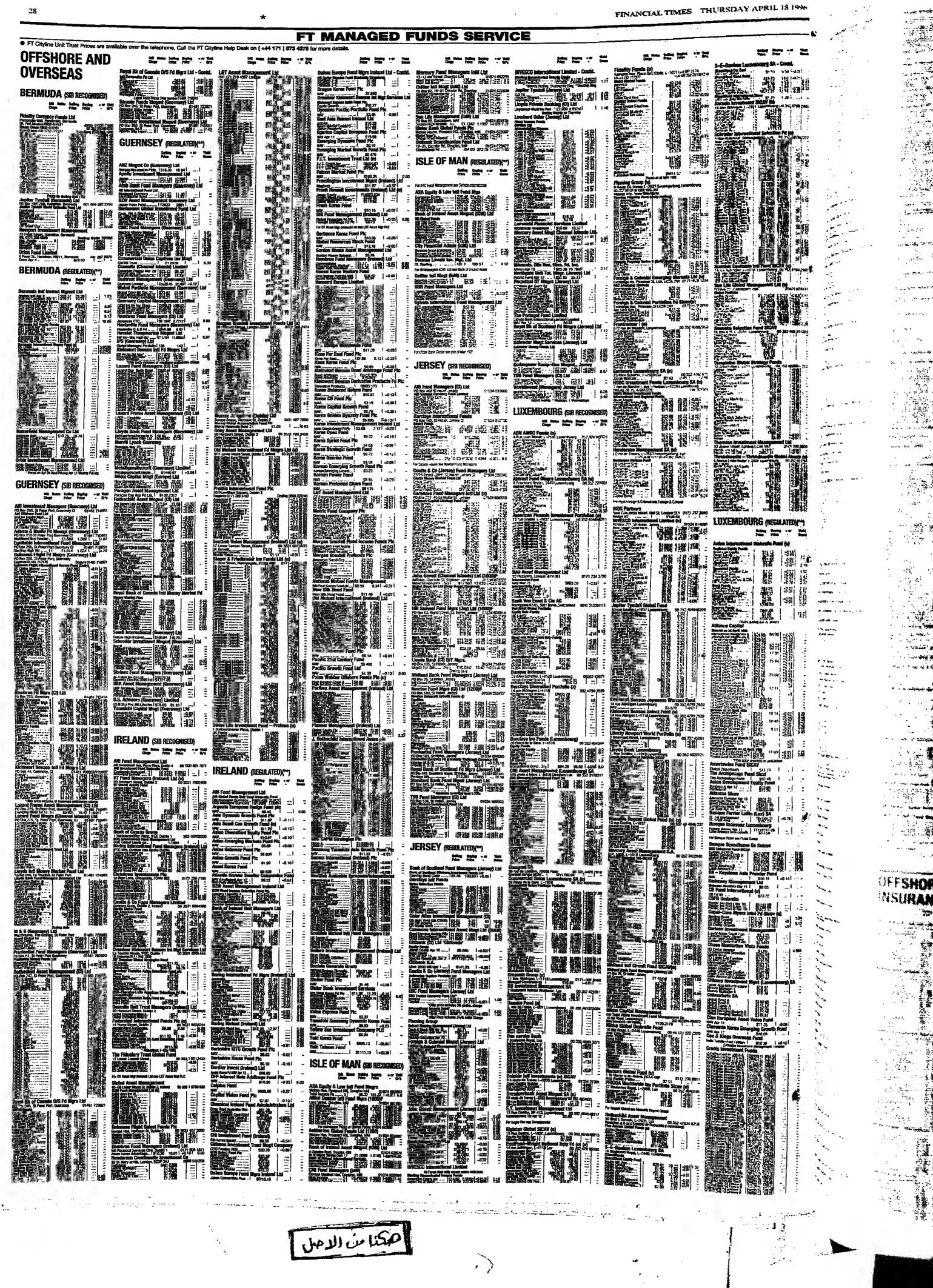
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FINANCIAL TIMES THURSDAY APRIL 18 1996

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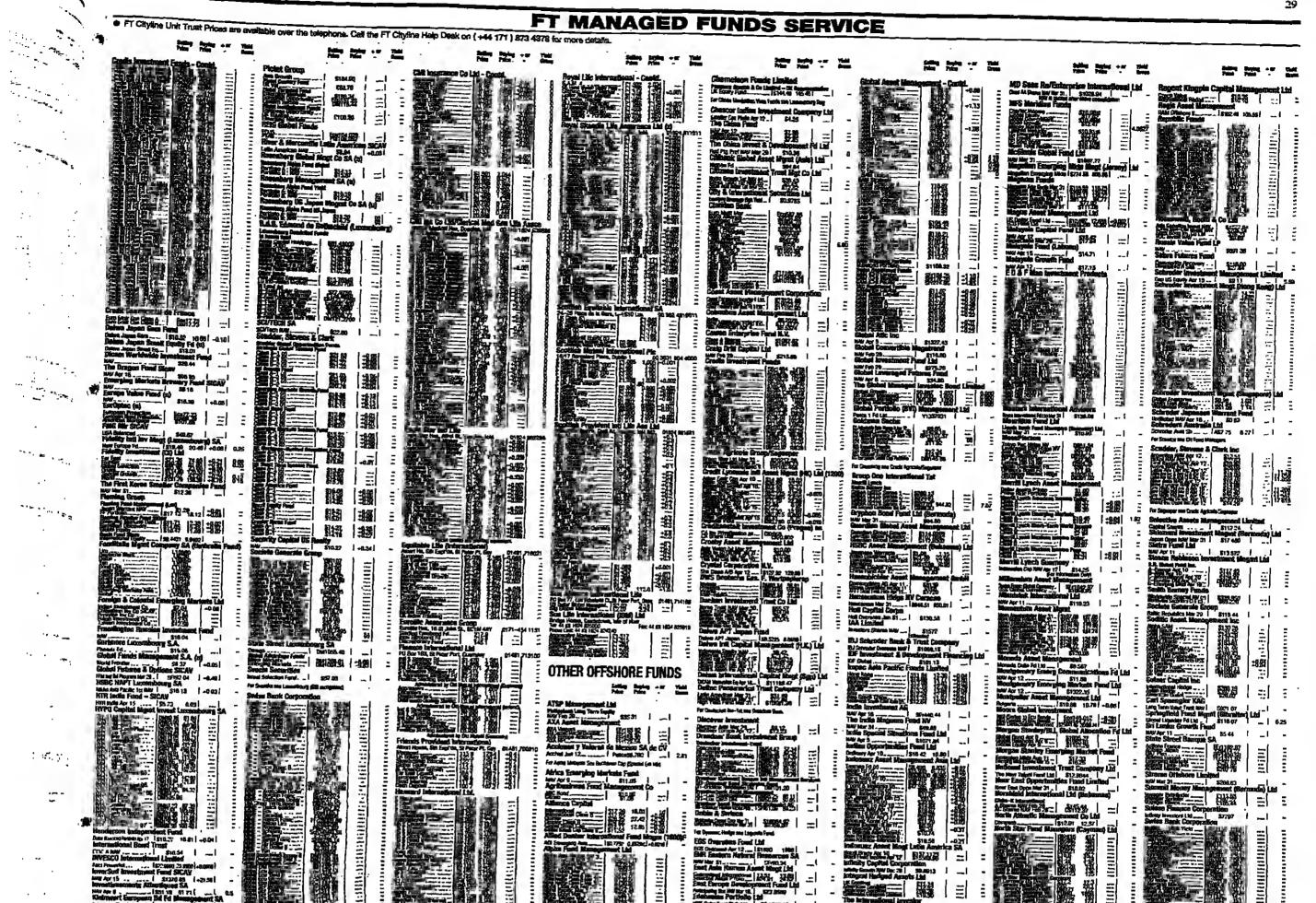
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LONDON STOCK EXCHANGE

ings, news which was interpreted

another trimming of UK interest

confirmation from Southern Co, of

the US, of its interest in bidding for

National Power, saw the generator's

per cent.

note from Merrill Lynch. The

list included Land Securities,

shares at the close.

'reduce" recommendation.

The day's most dramatic news,

rates in the medium term.

shares rocket.

some market observers as

Worrying economic news sees equities retreat

By Steve Thompson, **UK Stock Market Editor**

MARKET REPORT

30

7

Some worrying news on the domestic economy, which ditched the gilts market, plus a poor opening performance by Wall Street took the wind out of the sails of the UK equities yesterday.

Previously the FT-SE 100 index had basked in the glow of a scintillating performance by National Power and its fellow generator PowerGen. reaching an all-time intra-day high of 3.837.5.

And news that the chancellor of the Bank of England had both indicated the possibility of a rise in

SE set to probe **NatPower**

Stock exchange officials look set to investigate dealings surrounding National Power.

It was a surge in the price on Tuesday accompanied by very heavy turoover which prompted the UK generator to announce that Southern Company, the US utility, was "considering a combination of the businesses of Southern Company and National Power".

The Stock Exchange investiimproved housing sentimeot. gates any unusual share price aging first-quarter figures from movements and will certainly Prodential and a bullish note be keen to find out bow word leaked into the market that on the sector from Merrill Lynch gave a lift to life assursomething was going on. National Power shares added ance stocks.

to Tuesday's 30p rise with a jump of 561/2 to 578p on volume of 25m. And when turnover in the partly paid shares and traded options was added, the daily volume leapt to 40m more than 3.5 per cent of the total issued equity.

The leap in the shares put a rocket under generators. cbunky piece of research PowerGen forged ahead 29 to which concentrates on the 599p, while Scottish Power climbed 6 to 374p and Scottish growing need for long term savings as governments attempt to shift the burden of Hydro 8 to 350p. However, there was a differ-

an ageing population. ent impact on other utilities. Irish Life added 3 at 265p, Southern Electricity fell 33 to while other life stocks were 852p on a knee-jerk reaction flat in a falling market. that if there was a US bid for Biotech stocks continued NatPower then the latter's bid their seemingly relentless rise. for the UK rec would fail. The sub-sector was led

upwards by Cantab, which And a number of water advanced 107 to 655p, dealers stocks trickled lower as the US group said it was not planning citing a recommendation from to buy a UK water company. ABN Amro Hoare Govett.

the event of any threatened expansioo in money supply, was another dampener on the market

the latest news on the economy. which showed a much sharper than expected fall in unemployment last month and a disturbing increase in average earnings, would prove only a temporary brake on the market's recent strong upside performance. There was also renewed talk that a bid for Ladbroke, the hotels and

gaming group, was being prepared. The market's poor showing conthe exchequer and the Governor of founded some of the optimists, however, who had expected a surge of fresh hnying after confirmation of

Top conglomerate Hanson

moved ahead against the mar-

ket treod, adding 2% at 191%p

in 18m traded. The latest

power merger talks were said

to have stirred up speculation

that there could be a hid for

Hanson's power operations.

to be worth £4.5bn.

These are variously estimated

Williams Holdings stayed in

demand, adding a penny at 340p. SBC Warburg reiterated

its huy stance and BZW issued

a huy oote; volume was the

cent of profits from home

improvements, and the shares

have put on 5 per ceot in three

devs on the back of the

The combination of encour-

The Pru rose 8 to 454p on

healthy turnover of 5.9m

shares after the company said

worldwide sales of single con-

tribution life, pensions and

investment products increased

hy 12 per, while regular contri-

Also Merrill has issued a

bations rose 4 per cent.

Williams gets around 50 per

best for 8 months at 6m.

interest rates later in the year, in Tuesday's intense speculation that than forecast rise in average earna bid move against National Power was imminent The FT-SE 100 index, which sharply reducing the chances of

Dealers insisted, however, that cruised through the 3,800 level on Tuesday, ended a difficult day a net 19.7 down at 3.805.6. There was a much better feeling

around the market's second line stocks, bowever, which saw the FT-SE Mid 250 index ignore the problems of the leaders and move up 5.6 to a record 4,464.1, its fifth consecutive peak.

expected reduction in jobless oumbers in the UK, as well as a steeper

a new closing high. And Cell-

The retail sector cootinued

Storehouse, which rose 7 to

359p, and Austin Reed, ahead

nies showed sharp price increases, including Oasis

Stores, up 18 to 367p, and DFS,

the opholstered furniture com-pany which put on 18 at 497p.

N, Brown, the small specialist

mail order company, jumped 24

to 328p. Rumours recirculated

that the company was inter-

ested in Littlewood's mail

Next, the high street fashion

order business.

16 at 240p. A number of smaller compa-

tech put on 22 at 558p.

The news did impact heavily on the other utilities, however, with the electricity and water stocks Gilts were continually being prescoming under heavy selling pres-sure as speculators, who had been sured by the unemployment news. which saw a much sharper than

betting on bids in both sectors, sold out of companies such as South West Water, seen as a potential tar-

bv

British Biotech, which stood below 500p a share nine months ago, added 55 at 2630p, W.H. Smith shed 13 to 474p the market starting to understand that there is no quick solution to Do lt All, their to bask in reports of increased jointly held DIY chain. consumer spending, with the hest performers including

Whitbread, up 10 at 734p.

aid for the UK's BSE-hit dairy industry helped shares in Unigate into positive territory. They finished 7 strooger at 413p, with 1.1m traded hy the close.

oumher of shares moving ahead strongly on the back of technology stocks. Intel announced strong first-

it-taking. UBS moved from a "buy" to a "hold" on the stock on medium term concern over

Apr 17 Apr 16 Apr 15 Apr 12 Apr 11 Yr ago "High Ordinary Share Ord. div. yield P/E ratio net P/E ratio nil minition; high 2845.3 16/04/96; low 49.4 26/06-40 Ease Date Ordinary Share hourty cha

Open 6.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2849.0 2840.8 2830.5 2827.7 2825.6 2826.9 2828.6 2827.3 2826.8 2849.3 2823.7

	Apr 17	Apr 16	Apr 15	Apr 12	Apr 11	Yr ago
SEAO bargains	42,656	36,890	35,236	33,295	31.016	20.557
Equity turnover (Em)t	-	1956.5	1659.3	2579.0	1763.5	1252.4
Equity bergainst	-	42,903	40.905	38,466	37.650	30,439
Shares traded (mi)t	-	762.9	696.6	371.B	712.9	439.2
TExcluding intra-market but	aness and or	ersoar here	ver			
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E London market data Rises and falls 52 Week highs and lows LIFFE Equity opti Total Highs Total Lows 277 Total Rises Total Falls 793 557 : Total contr Calls 1423 Puts

Apr. 17 Data based on Equity shares listed on the London Share Service.

rising high street competition. mates and taking an increase and Boots lost 10 to 630p, with for the dividend. 195½p, reversing a recent sharp sell-off. Acorn appreciated 10 to 218p and Forward Brewers remained firm, with Group advanced 28 to 708p. bopes for growing consumer Ahead of next week's anaspending particularly affecting Bass, 8 higher at 779p, and lysts' trip to the US, Fairey put on 16 at 634p.

The prospect of government

Electronics groups had a trend-hreaking day, with a further good news among US

retailer, fell 15 to 563p on profquarter results oo Monday and, yesterday, numbers from IBM were equally impressive,

FINANCIAL TIMES EQUITY INDICES

2824.4 2845.3 2824.1 2804.4 2783.7 2419.5 2845.3 2896.7 4.00 3.97 4.00 3.86 3.88 4.37 4.06 3.76 16.24 16.37 16.25 16.85 16.77 16.46 17.25 15.96 18.01 16.13 16.01 16.60 16.52 16.39 17.03 15.76

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05.50	997.50	986.10	- 1054.62	365.68	to 7.3m shan the session.
					The stock

The stock continued to find both supporters and sellers. 57,964 34,217 23,747 The two-way pull left the shares unchanged at 257p. Nat-West Securities reiterated its "reduce" stance on the stock and urged clients to switch into Asda. The latter moved forward 1% to 110%p during trade of 10m shares.

In the rest of the sector. Argyll Group remained out of favour which left the shares

FT - SE Actuaries Share Indices

1.680 get for Southern Co, and Southern Electricity, where National Power has already tabled a bid. 1.860 1,840 1,820 --Semon dealers were by no means 1,800 disheartened by the market's slide Feb

SE-A AL-Share

Electricity

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workers: Pubs a Rest Brewaries: Pubs Extractive Indus

FT-SE-A Ali-Share Index

yesterday. "More bids in the utili-Source: FT Exter ties mean more cash coming into the market; and you have to Indices and ratio remember that the market is due

FT-SE 100 for some profit-taking after its FT-SE Mid 250 FT-SE-A 350 recent good run," commented a senior marketmaker. It was said that at 3,900 on the FT-SE-A All-Share viold FT-SE 100 the market has started to run out of steam in the short term.

Best performing sec Turnover at 6pm was a good 927.3m shares, with non-FT-SE 100 stocks again accounting for more than 60 per cent of the total.

outpacing Wall Street esti- trailing 3 at 3271/2p, while it was general profit-taking in J. Sainsbury that saw the Amstrad jumped 12:2 to shares relinquish 3 to 372p. Wm Morrison Supermarkets

hardened 4% to 160p as take-over talk in the stock returned to the market. The suggestion that USAir

was back in play helped Brit-ish Airways firm 2 to 537p. Building society turned bank The management of the trou hled US airline, in which BA Abbey National shed Tuesday's gain with a fall of 9 to has a 25 per cent stake, made it 586p as its trading update conclear that it was searching for tained news that its share of a partner. BA has written the increase in UK mortgages in the first quarter was below wn its \$400m shareholding in USAir by 50 per cent, and there has long been speculation that its long-term average of 12.3 the UK carrier would make fur-Property shares continued to ther provisions. gain from Tuesday's positive

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood,

which advanced another 8 to 659p, with Tradepoint said to LONDON RECENT ISSUES: EQUITIES have carried out around haif Court Arnet Male. Server parter carp E sep (Carl) Close price the day's total business in the Net On. Ors P/E day. Con yild mild stock. Volume came to 1.5m
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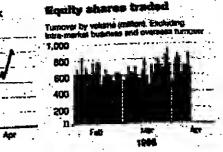
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 (Cm) High Low Stock 28.3 28.5 14.3 705 +7 95 95 Lif Active Constant Active Net unnet Albert Fuder Angent A However, not everyone is a fan of the stock and NatWest 230 Cambridge Wir NV 95 Contal Go's VCT 83 Cardcast 22.1 950 139 -5 TENES 21 33 49 Securities believes it to be fully W05 Ca16 97 07 187 33 25 167 priced and reiterated its -3 83 Cartictest 50 Covedan 95 Coves Bros VUT 205 Theorem 100 Easynet 745 Fl Group 90 Gafmore VCT 95 Gunness FI VCT 96 Hit Sou Lik Easy Co 80 Harlingham Prope 75/s ILP Goodo 200 Orange 17 Paulic Hos Vin 95 Papers Autu vCT 23575 NatWest said: "It requires 79 the greatest growth in its port-105 80.7 202 21.4 77.7 991 190 1.7 17 390 folio of all the majors to pro-T Ref 1 duce a 10 per cent rise, and is 33 FP g at one of the widest nce to its 12-month 135 2.258 •1 235 17 market chain Tesco. 5 P 5 P 5 P 760 682 171 215 214 reported figures on y, continued to be a 1.4 Benchart of Scheme Restor Was Schefe Roots? Benchart Benc H . 1 . 125 13 de with volume rising 45 20 32 Rephant Zom 100% Scottor: Asian C 3% Show Shald 503 Taxement Fat Ut -12 1001 shares by the close of 156 496 513 76 2 511 * Acemative Investor Scare Service riches FT GOLD MINES INDEX thurcest Castew & Wart Castew & Wart Castew Sciences Caste Coute Coute Coute Contain Containet Coolaint Coolain Apr % shig Apr Your Gross the P/E 16 on day 15 ago sield % batio High Low Gold Minut Index (30) 2302.45 -57 2319.45 1924.83 1.39 - 2020.73 1722.95 III Regional Indices 3064.10 +2.0 3004.27 2705.96 2.61 2671.07 -1.0 2697.62 2428.03 2.41 2033.59 -1.9 2072.64 1626.76 0.67 Alaca (13: Auszutasia (5) 36.12 3553.86 2272.74 28.86 2927.34 2098.51 65.67 2136.39 1488.94 North Arbenka (12) Conjugat. The Financial Temes Lansard 1996. "FT Cold Mines Index" is a prodomark of The Financial Trans Lansard. Figures in brackets show camber of companies. Basis US Dollars, Basis Vistum, 1000,09 37-12.92. P Partial, Latent process were Lanvalable for Ites addition. Ne La Pare



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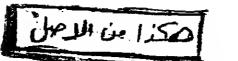


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10 MINERAL EXTRACTION(24)	3485.30	-1.3 3529.3				3.74	1.78	16.79 68.56	1496.19	Add ICT	552	360
12 Extractive Industries(6)	4554,40	+0.5 4533.				3.55	2.36	14.96 109,1		Inchcape	/,400	314
15 Oil, Integrated(3) 18 Oil Exploration & Prod(15)	3493.38 2505.71	-1.8 3556. +0.3 2498.0	26 3539.17	3545,16	2727.24	3.95	1.68	16.76 65.59		Kinglishert	221	6Q1 584
				_		2.08	1.59	37.75 32.05	1507.39	Knok Save	1 200	473
20 GEN INDUSTRIALS(277) 21 Building & Construction(34)	2159.34 1221.88	+0.1 2142.4				3.94	1.85	17.16 26.92		Laderoket Land Securitiest	6.200	191
22 Building Matter & Merchs(29)	1965.75		40 1961.64			3.36	1.89	19.69 14.49		Laporte	192	1998
23 Chemicals(25)	2570.11	-0.1 2572.0	39 2563.78	2556.17	2285.88	3.85	1.91	17.03 35.36		Legal & General† Lloyds Abbey	443	6994 530
24 Diversified Industriets(20)	1794.40	-0.4 1802.0	4 1790.13	1773.29	1632.29	5.67	1.51	14.61 40.91		Lords TS81	7,800	371-2
25 Electronic & Elect Equip(38) 26 Engineering(71)	2417.38	-0.6 2431.0				2.99	1.71	24,42 8.38	1244.62	Landon Elect	128	191
26 Engineering(71) 27 Engineering, Vehicles(13)	2467.31 2982.87	+0.4 2457.				3.11	2.43	16.53 21.63		Lowho	2,900	19742
28 Paper, Pokg & Printing(28)	2758.23	-0.3 2767.0				3.56	1.91 2.03	18.32 27.16		MEPC SET	353	417
29 Textiles & Apparel(19)	1492.73	+0.3 1487.	8 1489.26	1489.78	1565,74	4.73	1.81	16.40 10.65		Marks & Spencert	4.300	43112
30 CONSUMER GOODS(80)	3469.69	-0.1 3475.0				4.03	1.85			Morcury Aasot Main	116	903
32 Alcoholic Beverages(9)	2826.58	-0.6 2843.3	5 2827.56	2772.55	2714.80	4.39	1.60	16.80 67.45		Miclands Elect Morrison (Wits)	5,000	401
33 Food Producers(23) 34 Household Goods(15)	2502.66	+0.2 2498.5	3 2482.15	2478.07	2400.21	4.13	1.82	16.59 44,38	1129.68	NFC Net Bankt	5.000	172
34 Household Goods(15) 36 Health Cara(20)	2521.25	+0.1 1923.1	10 2627.77	2620.83	2445.48	3.78	2.41	13.72 51,26	1003.01	National Gridt	4.200	636 193 ¹ 2 578 4
37 Pharmaceuticals(12)	4832.87	-0.2 4843.5	2 4828.41	4748.35	3749 48	2.75		23.93 12.20		National Powert	25,000	578 +
38 Tobacco(1)	4320.1S	+0.2 4311.6	8 4193.09	4184.82	\$722.82	5.88	1.87	19.04 91.77	1641.51	Northern Elect	3,600	503 609 175
40 SERVICES(254)	2505.48	-0.1 2507.4				2.80	_			Northern Foods Peersont	3,600	175
41 Distributors(32)	2883.69	+0.8 2800.2	5 2828.87	2810.41	2394.82	2.87			1298.89	P & Ot Plangtont	2.200	528
42 Leisure & Hotels(23)	3192.61	3193.5	9 3135.02	3108.13	2158.49	2.63		22.22 139.93	1718 35	PowerGent	1,400	216
43 Media(46) 44 Retailers, Food(15)	4208.95	-0.3 4221,3	7 4196.32	4194.52	2848.06	2.12	1,95	30.16 36.43	1520.81	Prenser Fernell Pruderstaft	777	530 687 454 353
45 Retailers, General(43)	2092.21	-0.1 1949.9	0 2058 22	2048 51	1859.02	3.84		13.53 5.02	1223.23	REXAMI	5,900 1,700	393
47 Brewerles, Pubs & Rest (24)	3122.90	+0.8 3096.7	7 3072.24	3060 53	2251 01	2.88		19.49 18.07		RINC†	177	1050*
48 Support Services(60)	2223.94	-0.3 2230.8	7 2202, 10	2195.05	1515.27	2.20		19.01 15.93 22.62 11.85	1489.21 1407.24	Rank Org.†	978	1019
49 Transport(21)	2446.11	-0.2 2449.9	4 2416.56	2421.38	2199.15	3.55		24.58 26.90	1015.96	Bocket & Columnet	3.100 770	231
80 UTTL/TTES(33) 62 Electricity(12)	2610.03	+0.2 2803.6	0 2574.56	2580.24	2295.71	4,75		12.78 35.13		Reclarch Food int	1,700	412
64 Ges Distribution(2)	2966.91 1598.46	+3.2 2874.6	4 2822.77	2835.68	2201.55	4.68			1428.08	Rentoker	1,500 2,500 2,900	1136
66 Telecommunications(7)	2170.32	-1.8 1627.0	7 2167 88	1604.12	1990,96	7.50		12.26 0.00	801.97	Rolls Roycet	2,900	124
85 Water(12)	2188.82	-1.3 22188	4 2181,85	2186.48	1848.42	3.88 5.57	1.76	18.31 0.15	952.42	Ryl Ba Scotlandt Rovel Insurance†	1,500	510
69 NON-FINANCIALS(000)	2026.03	-0.2 2030.1				3.70		8.65 3.81	1187.52	Sanabaryt	5,100	367 15313 378 510 309 372
70 FINANCIALS(105)	2682.33	-0.9 2907.3							1532,68	Schroders† Scottesh & New.†	45	1215 .:
71 Banks, Retal(3)	3387.27	-1.5 4048.4	1 3991.07	3947.19	3000.03	4.11	2.56	11.85 64.61	1244.76	SEC. Notice-Flort	1,400	350
72 Banks, Merchant(5) 73 Insurance(23)	3465.59	-0.8 3492.8	2 3487.74	3459.76	9141.94	2.84	2.36	11.62 104.55	1311_26	Scottish Powert	3,600	350 374 971 ₉ 142
73 insurance(23) 74 Life Assurance(6)	1388.85 3646.09	-0.7 1398.3	1 1389.55	1381,94	1260.32	5,69	3.15	6.87 32.08	1041.54	Soughach	634	142
77 Other Financial(21)	2583.21	+1.0 3611.44	0 35/4 A8	3575.72	2481,84	4.10	2.23	13.70 100 72	1528.46	Seeboard Seven Trent†	809	1.
79 Property(41)	1523.42	+0.1 1521.9	5 1407.24	1477 32	344 15	3.78	1.78	18.44 25.06	1462.77	Shell 1/200pont	6.100	876 ¹ 2 1
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FT-SE-A Redging ex Inv Trusts	1202.97 1207.34	+0.5 1167.0	4 1191.05	184.61	966.59	2.87	2,16	20.03 8.78	1253.32	Southern Electif	1,100	700
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FINANCIAL TIMES THURSDAY APRIL 18 1996 *

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10 --F - $\begin{array}{c} - U - \\ 7 \frac{1}{9} 8 \frac{1}{9} U \frac{195}{10} & 18 & 48 & 47 \frac{9}{9} & 74 & 74 \frac{9}{9} \\ 32 & 50 & 18716^{2} 4.1 \times 4.18 & 6.8 & 23 & 51 \frac{5}{9} & 50 \frac{5}{9} & 1.1 \\ 30 \frac{1}{9} & 24 & 156 & 34 & 254 & 244 & 260 \frac{9}{9} & 162 & 55 \\ 35 \frac{1}{9} & 30 & 457 & 1.48 & 4.6 & 14 & 564 & 31 & 460 & 52 \\ 22 \frac{1}{9} & 20 \frac{1}{9} & 457 & 1.48 & 4.6 & 14 & 2546 & 31 & 460 & 52 \\ 22 \frac{1}{9} & 20 \frac{1}{9} & 457 & 1.48 & 4.6 & 14 & 2546 & 31 & 460 & 52 \\ 22 \frac{1}{9} & 20 \frac{1}{9} & 457 & 1.40 & 6.8 & 46 & 220 & 74 & 77 & 75 \\ 35 \frac{9}{9} & 20 \frac{1}{100 \tan 1} & 1.40 & 6.8 & 41 & 220 & 74 & 77 & 75 \\ 35 \frac{9}{9} & 20 \frac{1}{100 \tan 1} & 1.40 & 6.8 & 41 & 220 & 74 & 77 & 75 \\ 35 \frac{9}{9} & 20 \frac{1}{100 \tan 1} & 1.40 & 6.8 & 81 & 1925 & 77 & 254 & 254 \\ 35 \frac{9}{9} & 100 \frac{1}{100 \tan 1} & 1.20 & 2.21 & 17 & 753 & 243 \\ 35 \frac{9}{9} & 100 \frac{1}{100 \tan 1} & 1.27 & 2.41 & 202 & 723 & 1.41 \\ 27 \frac{1}{9} & 16\frac{1}{9} \frac{1}{100 \tan 1} & 1.27 & 2.41 & 202 & 723 & 1.71 & 735 \\ 47 \frac{1}{9} & 100 \frac{1}{9} \frac{1}{100 \tan 1} & 1.27 & 2.41 & 8222 1 & 134 & 135\frac{3}{9} & 1.12 \\ 27 \frac{1}{9} & 44\frac{1}{9} \frac{1}{100 \tan 1} & 1.25 & 8.5 & 710 & 65 & 65 & 85 \\ 44 \frac{1}{9} & 25\frac{1}{9} \frac{1}{100 \tan 1} & 1.25 & 2.51 & 8.5 & 7100 & 65 & 65 & 85 \\ 44 \frac{1}{9} & 25\frac{1}{9} \frac{1}{100 \tan 1} & 1.23 & 510 & 423 & 305\frac{1}{9} & 30\frac{1}{9} & \frac{1}{9} \\ 73 \frac{1}{9} \frac{1}{9} \frac{1}{100 \tan 1} & 1.23 & 510 & 423 & 305\frac{1}{9} & 30\frac{1}{9} & \frac{1}{9} \\ 73 \frac{1}{9} \frac{1}{9} \frac{1}{100 \tan 1} & 1.20 & 2.51 & 8.5 & 710 & 75 & 95 & 95 \\ 44 \frac{1}{9} & 25\frac{1}{9} \frac{1}{100 \tan 1} & 1.20 & 2.51 & 8.5 & 710 & 75 & 95 & 95 \\ 44 \frac{1}{9} & 25\frac{1}{9} \frac{1}{100 \tan 1} & 1.20 & 2.51 & 8.5 & 710 & 75 & 95 & 95 \\ 73 \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} \\ 73 \frac{1}{9} \frac{1}{9} \frac{1}{100 \tan 1} & 1.20 & 2.51 & 8.51 & 305\frac{1}{9} & 30\frac{1}{9} & 30\frac{1}{9} \\ 45 \frac{1}{9} \frac{1}{9} \frac{1}{100 \tan 1} & 1.20 & 2.51 & 8.51 & 305\frac{1}{9} & 30\frac{1}{9} & 1.9\frac{1}{9} \\ 73 \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} & 1.20 & 1.51 & 154\frac{1}{9} \frac{1}{9} \frac{1}{9} \\ 73 \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} \frac{1}{9} & 1.51 & 1.51 & 1.51 \\ 155 \frac{1}{100 \tan 1} \frac{1}{9} &$ Microsoft Microll Microll - 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B -- G2 -6 B App 2 35 252 275 276 Gatton 607 27 96 27¹4 25²4 25²4 25²4 Gatton 6 199 2/2 3/6 2.²4 Gatton 6 199 2/2 3/6 2.²4 Gatton 70 1155 599 6¹4 6¹6 6¹4 Gatton 0.42 14 151 20 19²6 18²4 Gatton 0.42 14 151 20 19²6 15⁴4 Gatton 0.40 30 325000074 30 30²6 Gatton 12 1514 6²5 9¹4 5¹4 5²4 Gatton 15 5997 10²4 19 18²4 Gatton 55997 10²4 19 18²4 Gatton 62 0.40 4 37 12 3²4 73 13²4 73 - G --X-Y-Z-- X - Y - Z -1421118 $\frac{1}{2}$ Xercas 3.48 22 18 2764 1205 1305 1305 1314 + $\frac{1}{2}$ 147 3 363 1207 027 05 027 15 14 4 485 455 655 254 214 1995 207 05 12 215 12 215 212 214 489 247 3191 120 027 15 15 12 215 212 214 499 247 3191 120 026 028 20 48 48 487 48 49 34 3 220 48 10 14 47 8 35 35 23 23 23 75 57 216 2005 3 27 55 612 612 - $\frac{1}{2}$ 245 216 2005 3 20 47 57 7 245 242 242 - $\frac{1}{2}$ 245 216 2005 10 175 18 7 87 57 18 - $\frac{1}{2}$ 184 189 2005 024 023 105 38 7 87 57 18 - $\frac{1}{2}$ 185 185 2005 10 175 18 - $\frac{1}{2}$ 185 185 2005 10 175 18 - $\frac{1}{2}$ 195 184 2005 10 40 20 15 38 10 175 18 - 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WORLD STOCK MARKETS

FINANCIAL TIMES

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Thursday April 18 1996

AMERICA Worries over IBM outlook pressure Dow

per cent.

S'4 at \$40%.

Wall Street

-34

Renewed worries about the outlook for the technology sector in the second quarter and further declines on the bond market took US blue chip sbare prices lower in midsession trading, writes Lisa Bransten in New York. IBM shares initially jumped

S4': oo the strength of its rohust first-quarter profits of \$2.48 per share. but by early afternooo the stock was down \$6 at \$109°i. The company said a stronger

dollar and a "difficult" period for the products it aells to other manufacturers could lower its second-quarter earn-ings. Sbares in IBM bave gained nearly \$28 since mid-January when the company stunned the market with much stronger than expected fourthquarter earnings. The decline in IBM, a compo-

nent of the Dow Jones Industrial Average, contributed to a 41.55 points drop in that index and brought the blue chip indicator to 5.578.47 by 1 pm. The Standard & Poor's 500 declined 3.14 to 641.86, while the American Stock Exchange composite rose 1.19 to 580.50. Volume on the New York SE came to 263m shares

Technology sector jitters caused the Nasdaq composite, which is weighted towards that sector, to give back 4.23 of the 14.47 it gained on Tuesday.

at 5.079.70 in very heavy trade bringing the index to 1,120.73. The Pacific Stock Exchange of 70.4m shares. Among heavily traded mintechnology index retreated 1

og groups, Pure Gold Computer makers were par-Resources rose 9 cents to 36 ticularly weak yesterday. Hewceots and Black Swan Gold lett Packard gave up \$1% at Mines eased 9 cents to 96 cents. \$977., Gateway 2000 lost \$11/2 at Fairfax Financial Holdings \$32³, and Dell Computer fell rose C\$2 to C\$186 after the \$1% to \$40%, while Compaq company priced a \$125m note issue on Tuesday. Computer managed a gain of

Latin America In addition to the losses at

IBM, other declining issues on the Dow included Coca-Cola, MEXICO CITY rallied further off \$114 at \$79% after missing in early trade as the peso seeearnings estimates by a cent, sawed at the opening but and Caternillar, which fell appeared to survive Tuesday's another \$2% to \$57% yesterday sharp cut in primary Cetes after reporting weaker than rates.

The IPC index was up 42.17 expected earnings on Tuesday. AMR, parent company of American Airlines, added \$% at at 3,243.10. Gainers were led by Bancomer, which announced \$91% after revealing first-quarlate on Tuesday that it had ter results of \$1.84 per share aggressively built reserves in the first quarter. compared with analysts' estimates of \$1.54 per share. That SAO PAULO was mixed and

volatility was expected to increase due to futures contracts expiration later in the session By midsession the Bovespa

index was down 23,27 at 49,870. BUENOS AIRES was slightly higher, buoyed by the government's successful bond tender on Tuesday and the stabilisa tion of US interest rates.

The Merval index had gained 2.47 at 534.44. The government launched its Toronto edged lower in midses-90-day Letes Treasury bills on sioo trade aa the market paused after soaring to a oew high on Tuesday, The TSE 300 Tuesday, placing 250m pesos at 6.8 per cent, against the forecomposite index was 5.66 easier cast rate of 7.5 per cent.

Industrials higher for second day

strong report from the first

major airline to put out earn-

ings boosted UAL, parent of

United Airlines, which put on

\$115 at \$216, and Southwest

BankAmerica slipped \$% to

\$73% in spite of earnings of

\$1.79 per share, 7 cents ahead

Airlines, up \$1% at \$31%.

of analysts' estimates.

Canada

Industrials stormed higher for the second consecutive day as foreign buying lifted the prices of top-line counters, leaving golds to shed Tuesday's gains as hullion floundered. Meanwhile, the rand plunged to a record low. Dealers said US and UK funds had come in as

aggressive huyers, focusing purchases on blne chip Industrial counters, particularly those likely to gain most from a weak rand. Gold shares were left behind in the scramble

for industrials, dragged lower by the metal's overnight fall and by fears that it was threatening to drop through the \$390 an ounce level. The gold board was seen tracking the rand price of gold and would look to the gold mining quarterly results, most of which will be

released this week, dealers said. The overall index was up 44.5 at 6.859.8, the industrials index surged 70.4 to 8,328.3 and the

golds index slipped 19.4 to 1,837.7. De Beers was 50 cents lower at R133, Amic made R3 to R195, Richemont put on R2.25 at

R61 and Anglovaal lost R5 to R155. Kloof fell R2 to R47, Vaal Reefs shed R5 to R403.50, Impala was R1 higher at R63 and Dries ended R1.25 lower at R65.50, Anglos hit a record high of R279 before slipping back marginally to stand R15 up at R278.

E	MERGING	MARKETS	IFC WEE	KLY INVEST	TABLE PRIC	E INDICE	S		
	10 C - 10 C	1000	Local currency terms						
Market	No. of stocks		% Change over week	% Change on Dec '95		% Change			
Latin America	(247)	500.90	+1.3	+6.2					
Argentina	(31)	828.12	+2.0	+3.4	607.614.18	+1.9	+3.3		
Brazil	(68)	332.73	-0.7	+9.0	1,232,46	-0.4	+11.0		
Chile	(43)	690.18	+2.8	-7.8	1,127,17	+2.2	-7.6		
Colombia'	(15)	586.20	+0.7	-2.0	1.088.64	+0.6	+3.7		
Mexico	(65)	522.14	+2.2	+15.2	1.686.98	+1.8	+12.0		
D									

an early all-time high and shares slid to end the day in fading expectations of an early French rate cut. negative territory. The Ibls The CAC-40 index finished 22.20 lower at 2,075.12, having Dax index closed at 2,519.82 after the Dax ended 14.20 lower come within striking distance of the 2,100 key resistance at 2,524,18. Investors were cautioua point in morning trading, when it reached a high for the session of 2,099.70. Volume was

FF15.3bn

FFr1,546.

recovery.

Schneider.

Dealers said there was uncer-

tainty as to whether the Bank

of France would follow up this

week's lowering of the call

money rate with an early cut

A number of dollar stocks

ran into profit-taking following

receot rises on the back of

gains in the US currency. Elf Aquitaine closed FPr6.20 off at

FFr373.60, LVMH fell FFr15 to

FFr1,294, Total declined

FFr9.30 to FFr348 and L'Oréal,

which reported 1995 results in

line with expectations, saw its

shares decline FFr38 to

extended gains with a FFr6.50 rise to FFr250.10 as analysis recommended the stock for its

sensitivity to any economic

Thomson-CSF closed FFr5.90

to the good at FFr134.50 as the

market welcomed the Thomson

group'a plan to sell its Crédit

Lyonnais shareholding to the

however

in leading interest rates.

A wave of futures-led selling which came under pressure pulled FRANKFURT back from rising US bond yields and

ahead of the Bundesbank council meeting, and although the consensus was that rates would remain unchanged. uncertainty hit the market. The expiration of the June

EUROPE

Dax futures contract at the end of the week has seen dealers moving to cover positions. Allianz recovered DM2 from

the floor close to DM2,657. Deutsche Bank was unchanged at DM75, Dresdner Bank rose 11 plas to DM39.66 and Commerzbank edged up 20 pfgs to DM334.20. SAP was up 50 pfgs at DM197

after announcing that first-quarter pre-tax profits had risen 62 per cent on a 40 per cent increase in sales. Daimler-Benz slipped DM1.50 to DM830.50, while Volkswagen was down DM2.50 at DM543 in

spite of its Audi unit reporting that first-quarter sales rose 20.5 per cent from a year earlier to a provisional DM4.7bn. BMW slipped DM5 to DM818. PARIS was weaker as investors took their lead from fail-

ing government bond futures

ASIA PACIFIC

Nikkei loses early gain, Taipei rallies 2.5%

Wednesday,

UBS

FT-SE Actuaries Share Indices

Operi

AMSTERDAM fell on profit-

taking, notably in publishing stocks. The AEX index eased

2.55 to 545.68, but was off the

day's low of 544.82. Profit-tak-

ing was marked in the publish-

ing sector, with Wolters Kin-

wer losing F12.80 at F1 192.90

after its recent rise. Elsevier

was off 80 cents at F1 26.70,

after a low of Fl 26.40, in heavy

trade of 10m shares, and VNU

was down Fl1 at F129.10 in

Ahold fell Fl 2.20 to FL 84.70

on profit-taking after earlier

strong gains on its Stop & Shop acquisition in the US.

rise to close 10 cants down at

F1 60.80 as investors began to

look ahead nervously to first-

quarter results expected next

ZURICH recovered from an

opening fall to close only

slightly easier, but shares in

were sharply lower after

Philips reversed an initial

turnover of 1.1m shares.

Apr 17

FT-SE Eurotrack 100 FT-SE Eurotrack 300

French state.

Tokya High-technology stocks led a morning rally but profit-taking eroded gains in the afternoon and the Nikkel average closed in negative territory, writes Emiko Terazono in Tokyo. The Nikkei 225 index lost 51.95 at 21,816.22 after fluctuating hetween 21,801.85 and 32,007.84. Shares gained in earlier trading thanks to a rally in high-technology issues. How-ever, profit-taking by investment trusts depressed the index in late trading, prompting brokerage dealers to liquidate their positions. Volume was 554m shares,

against 722m. The Topix index of all first section stocks shed 1.85 to 1.677.48 and the Nikkei 300 lost 0.50 at 310.47. Falls outscored rises by 586 to 493, with 148 issues unchanged.

In London the ISE/Nikkei 50 index put on 2.67 at 1,455.57. Bettar than expected firstquarter earnings announcements by US high-technology companies boosted confidence

dealers. Kawasaki Steel retreated Y6 to Y382 and NKK

The decline in commodity prices hit mining issues which

d been supported by a rally

dipped Y9 to Y335.

كتامن الاجل

Metal Mining receded Y20 to Y1,040 and Mitsubishi Materiheavy turnover of T\$97.4bn. Financial shares, which als decreased by Y20 to Y610, soared last week hat had Car shares were aupported by the yen's weakness. Toyota slowed the pace of their rises in recent sessions, jumped 5.3 Motor gained Y20 at Y2,360 and per cent. HONG KONG turned back Honda Motor rose Y30 to Y2,330. Mazda Motor, however, after the sharp advances of the fell Y12 to Y498 as the eupboria

previous two days, as April futures continued to exert an influence over the cash market. The Hang Seng index lost 70.29 to 10,962.69 - after climbing nearly 200 points over the two previous days - although turnover dwindled to a weak. HKS3.6bn

Hatchison topped the most active list and fell 60 cents to HK\$48.30 in spite of news that the Cheung Kong chairman Li Ka-shing had again slightly The weighted index coded raised his stake. Cheung Kong

gave up 50 cents to HK\$\$4.50. KUALA LUMPUR edged lower on profit-taking among hlue chips after Tuesday's rally, while strength in smallcapitalisation issues was also

on plans to transfer some of its

sapped by the end of the session. The composite index reversed opening gains to end down 2.34 at 1,165.03.

SEOUL rebounded after indi-vidual domestic investors and foreigners bought low-priced large-capitalisation shares, as institutions reined in their selling. The composite index ended 14.67 higher at 922.20 in active volume of 59.8m shares. Among the winners, Seoul-

hank advanced Won230 to Won6,930 and Daewoo Heavy Won470 to Won8.450. SYDNEY finished firm, but just off the day's high, after a

1989. This year and next, increases of between 2.5% and 6% are likely. The countries of Bastern VIEWPOINT likely. The countries of Eastern Europe have a large, skilled wark-force and, above all, low wage

Bundesbank leaves Frankfurt cautious long-haul services from Geneva to Zurich after sharp criticism from politicians.

MILAN was weak as investors remained cautious ahead of Sunday's election and tomorrow'a options expiry, while weaker domestic bonds and the lira added to the pressure. The Comit index fell 5.57 to 608.18 and the real-time Mibtel index lost 85 to 9,697.

Against the treod. Olivetti picked up L4.8 to LS51.9 following Tuesday's announcement that its PC husiness broke even during February and March after the L1,589hn group loss reported for 1995.

SFr1.212, led the actives list. Cartiere Burgo jumped L167 Analysts said that they had to L8.712 after the paper and come under pressure from the packaging group reported a sharply higher net profit for derivative side after investors sold UBS options hedged by the Issuer. UBS registered 1995.

STOCKHOLM was waighed shares closed SFr8 lower at down by a continued fall in Ericsson, although the down-SFr271. Dealers said that only BK Vision was seen as a small ward trend was checked buyar in UBS registered turnaround in Astra in the afternoon and a strong perfor-Other major hanks were mance from the forestry sector. slightly lower but some leading industrials closed higher, led The Affärsvärlden general index was 3.3 softer at 1,884.1. by Ciba, which gained SFr23 to Around a quarter of the day's turnover was in Ericsson B shares, which fell SKr3 to Crossair picked up SFr50 to SFr900 on speculation that Swissair could increase it stake SEr127.5, matching the closing price in New York overnight to 100 per cent. Swissair gave up SF128 to SF1,277 on the viaw that it was backtracking and bringing the total fall to

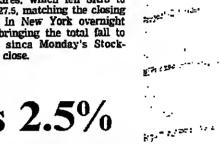
late futures-driven rally gave

some clear trend to the day's

parformance. The All Ordi-

naries index was 7.0 higher at

SKr8 sinca Monday's Stock holm close.



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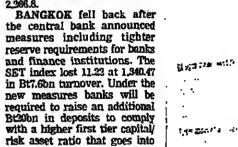
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effect on October 1. MANILA ended lower as the market took a breather following two days of gains mat lifted the index past the 3.000 level. The composite index slid 23.94 or 1 per cent to 2,987.69.

they account for 80% of German **FDI** in Central and Eastern Europe and 50% of German.". exports to the region. But this means that the increase in trade and investment has been restric

in the gold market. Sumitomo 149.76 higher at 6.087.98 in

over Ford's rescue, announced last week, eased. in Osaka, the OSE average slipped 42.64 to 23,346.23 in volume of 468.7m shares. Roundup

Heavy demand for financials helped TAIPEI to shrug off profit-taking pressure and the market rebounded 2.5 per cent after Tuesday's 3 per cent fall.

ectron

THE EUROPEAN SERIES

Apr. 10

1643.23

Apr 11

1640.35

1696.04

Tuesday'a annual sharebolder

meeting. The SMI index picked

up from a low of 3,579.2 to fin-

SFr1,240 hut off a low of

UBS bearers, down SFr29 at

ish a net 3.6 off at 3,603.9.

10.30 11.00 12.00 13.00 14.00 15.00 Close

Apr 12

1636.25 1694.75

FT-SE Estrutrade, 100 1651 00 1648,88 1848,95 1646,75 1646,22 1646,79 1648,68 1648,84 FT-SE Estrutrade, 200 1710,09 1708,55 1707,40 1705,18 1705,78 1707,99 1708,50 1708,58

1551.24

ibin 1000 (26/10/50); Highlan; 100 - 1651,34; 200 - 1710,19 Lowday; 100 - 1945,51 200 - 1705,23; † Pario

shares.

SFr1,460

1708.90

Apr 18 Apr 15

1652.07

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Venezuela ^a	(5)	464.29	+10.1	+38.9	5,118,74	+10.8	+2.9	towards tha Japanese el
Asia	(631)	263.42	+1.3	+13.5		+ i viu	+00.1	ics and semiconductor
China	(23)	58.73	-3.5	+10.4	62.81	-3.5	+10.5	facturing sector. Alt
South Korea ³	(145)	125.14	+0.8	-0.6	128.75	+1.2	+0.3	overnight rallies oo N
Philippines	(35)	284.94	+0.6	+9.8	360.45	+0.7	+9.8	and Wall Street also e
Tarwan, China*	(83)	138.28	+14.8	+22.6	141.07	+14.7	+22.1	aged sentiment; increase
India"	(76)	96.50	+1.2	+20.1	117.03	+1.2	+18.6	ing by domestic invest
Indonesia*	(44)	125.13	-0.2	+14.1	158.50	-0.1	+16.3	large-capital stocks even
Malaysia	(123)	315.38	+0.1	+18.3	293.03	-0.5	+15.3	clouded confidence.
Pakestan?	(25)	255.30	-0.9	+5.2	402.02	-0.9	+6.6	
Sn Lanka®	(5)	117.69	-3.0	+13.1	138.92	-2.3	+14.9	Market analysts sa
Thadand	(72)	386.30	-0.6	+2.8	388.32	-0.3	+3.3	would take time for the
Euro/Mid East	(238)	145.22	-1.9	+2.5				to clear the 22,000 hurdle
Greece	(47)	252.31	-1.3	+4.5	414.12	-0.7	+7.0	market is overbought.
Hungary"	(8)	140.33	-3.0	+42.6	245.30	-2.2	+51.8	needs to be a correction
Jordan	(8)	175.21	+5.1	-5.1	261.55	+5.1	-5.1	Mr Ken Okamura, strate
Poland'-	(22)	622.47	-0.5	+46.0	1,026,15	+0.5	+55.0	Kleinwort Benson in Tol
Portugal	+26)	124.06	-1.0	+7.2	131.75	+0.2	+10.6	Sanyo Electric, the
South African	(63)	240.45	-1,1	-6.8	205.67	-0.1	+5.9	
Turkey"	(54)	160.24	-7.0	+53.4	5,520.18	-5.3	+84.7	active issue of the day
Zimbabwe"	(5)	341.81	+1.4	+24.4	495.79	+1.3	+31.5	Y12 to Y660. The iss
Composite	(1116)	298.57	+0.5	+8.3				regarded as a laggard electronics sector. Other

Putters are callulated at enciences, and encies changes are pre-ording incommer both the previous Friday Base date: Dec 1996-100 decent those interference (VEE) (*01, 2006-101, 1996, 2006-5, 1996, 1996, 2006-5, 1997, 100, 2006-1, 2006-1

The growth in GDP in the world's emerging markets is set to see a substantial rise between this year and the next, according to research by Mr Ralph Lazar of ING Barings. He forecasts that GDP is likely to pick up to 5 per cent this year from 4.3 per cent in 1995, and increase to 5.7 per cent in 1996, more than four times that for the G7 members.

• Crosby Securities says that the main argument for Investing in the markets of south-east Asia "is liquidity rather than fundamentals". With global liquidity rising and the likellhood that cash will flow into financial rather than real assets, Crosby believes that east and south-east Asian markets "remain attractive enough to be a principal target of the flow of funds". Crosby rates Singapore and Thailand as being understind on a consumer statement of the flow of funds. underrated on a one year view

FT/S&P ACTUARIES WORLD INDICES

The FT SSP Actualies World indices are owned by FT-SE International Limited, Goldman, Sachs & Co, and Standard & Poor's. The Indices are complete by FT-SE International Limited, Goldman, Sachs & Co, and Standard & Poor's. The Indices are completed by FT-SE International Limited, Goldman, Sachs & Co, and Standard & Poor's. The Indices are completed by FT-SE International Limited, Goldman, Sachs & Co, and Standard & Poor's. The Indices are completed by FT-SE International Limited, Goldman, Sachs & Co, and Standard & Poor's. The Indices are completed by FT-SE International Limited, Goldman, Sachs & Co, and Standard & Poor's.

REGIONAL MARKETS -				ESDAY AI	PFUL 18 1						Y APRIL	1S 1998 -		DO	LLAR IN	DEX	East Asia.
igures in parenthoses how number of lines	US Dollar	Day's Change	Pound	Yen	DM	Local Currency	Local % chg	Gross Div.	US Dolar	Pound	Yen	DM	Local	52 week s	52 week	Year	
f slock	Index	a;;	Index	Index	Index	Index	on day	Yield	Index	Index	Index	Index	Index.	High	Low	(approx)	
uctrala (811		-07	200 90	139.73	160.41	172.67	-0.3	4.02	205.73	202.28	140.94	181.55	173.19	205.73	162.68		
ustna (25)		-0.4	180.25	125.37	143.92	143.74	-0.4	1.78	184.07	160.99	126.10	144.54	144.36	199.28	158.11	185.88	
elgum (33)		07 _02	206.66 150.98	104.99	165.00	160.78 279.68	0.6 01	4.12	208.84	205.34	143.06	163.96	159.77	215.81	186.05		
20128		0.4	158.63	110.47	126.82	158.82	0.5	2.36	160.90	158.20	110.22	129.34	280.30	170.25	109.87	109.87 136.51	
TURISK (30)		0.4	292.22	203.25	233 32	235.59	0.4	1.91	296.01	291.05	202 78	232.44	234.74	305.17	261.94	251.94	
rianc (241		0.3	173.34	120.56	138.40	175.75	0.6	2.82	175.87	172.93	120.48	138.10	174.75	278.11	171.73		
2000 (97)		0.7	191.93	133.49	153.24	156.96	0.7	3.01	193.63	190.63	132.82	152.24	155.86	196.68	187.70		
ernary (60)		-02	169.41	117.63	135,26	135.26	-0.3	1.84	172.72	169.63	118.32	135.63	139.63	174.38	149,49	149.61	
ang kong (59)		0.7	425.54	295,97	339.76	429.88	0.6	3.28	430.13	422.92	254.66	337.75	427.13	451.15	323.87	345.25	
and (16)	270.38	1.1	265.77	184.85	212.20	244.51	1.0	3.39	267.40	262.92	183.18	209.87	242.06	270.38	220.31	222.99	
. :59:	.7577	-0.3	74.48	51.60	59.46	89.10	-0.1	2.17	75.98	74,71	52.05	59.96	89.20	82.71	67.22	70.49	
Dan (481)		0.0	153.12	106.95	122.29	106.50	-0.2	0.71	155.74	753 13	106.B9	122.30	106.68	164.82	137.75	155.47	
alaysia (107)	.567.02	0.a	557.36	387.65	445.01	546.65	0.6	1.60	661 67	552.26	384,77	441.04	543.28	567.02	425.77	487.54	
evec (16)	266.81	0.6	1245.22	866.07		10273.05	-0.2	1 35	1259.57	1238.46	862.87		10298.21	1266.81	791.99	896.40	laterational presence.
therland (19)	291.34	Q. 1	206 37	199.18	228.65	224.36	0.0	3.15	291 IS	286 32	199.48	229.66	224,41	291.80	237.16	238.01	
w Zeatand (15)		0.3	80.62	56.07	64 37	64.05	0.1	4.27	81.73	80.36	55 99	64.18	63.96	85.49	76.26	81.87	Almaty, Amsterdam,
oneay (33)		-0.3	239.18	166.35	190.97	215.15	-0.4	2.43	244.12	240.03	167.24	1S1 69	215.94	244,15	215.04	216.84	Antwerp, Atlante, Banglook
ngapore (41)		1.5	441,49	307 06	352.50	291.94	1.4	1.30	442.37	434.95	303.05	347.37	287.85	485.21	355.81	364.43	Barcelona, Bratislava, Beija
ach Africa (45)		2.1	363.61	252.90	290.32	341.40	22	2 47	362.44	358.37	246.29	264,60	333.91	437,78	338.91	344,16	Beirut, Bophey, Brussels,
ain (37)	173.48	03	170.53	118.60	136 15	165.38	0.1	3.35	172.97	170.07	118.49	135.82	165.13	175.88	134.79	136.07	
eden (45)		-0.7	329.82	229.39	263.34	335.35	-0.6	2.38	327,73	332.08	231.36	265.20	337.31	352.28	241.23	248.07	Budapers, Bacage Aires, Co
retzerland (SB	240.55	1.0	236.44	164.45	169.78	183.41	0,9	1 55	238.25	234.26	163.21	167.08	181.72	252.34	162.77	182.77	Carness, Change, Copenhag
aland (46)		1.5	163.06	127.32	146.18	182.94	1,5	1.78	183.40	180.33	125.64	144 01	180.23	193,95	134.53	139.28	Dahim, Genera, Gieraiter,
nted Kingdom (203)	233.90	1.1	229.91	159.91	183.57	229.S1	1.0	3.98	231-46	227.59	158.56	181,75	227,59	235.50	207.42	206.30	
SA (6271	262.86	05	258 38	179.71	206.30	262.88	0,5	2.20	261.69	257.3	179.27	205,49	261.69	289.11	206.41	208.11	Grand Caynes, Hong Kong
nencas (712)	240.31	0,4	236.22	164.29	185.60	201 93	04	2.20	239.25	235.25	163.90	187,87	201.05	245.54	189.05	190.44	Istanbol, Johanna, Johannes
7231	208.49	0.5	204.94	142.54	163.63	18G.51	0.5	3.00	207.33	203.91	142.07	162,85	182.58	209.03	180.30	180.34	burg, Kiev, London, Los
rdic (135)		-0.3	283.69	197.31	226.51	252.95	-0.3	2.36	289.57	284.72	198.37	227.38	253.64	297.48	233.21	234.47	Angeles, Lonembourg, Madr
các Basn (833)	169.22	01	166.34	115.69	132.81	118.09	-0.1	1.14	169 04	166.21	115.60	132.73	110.15	171,87	148.85	183.60	Manama, Merico City, Mila
ro-Pacific (1556)	185.48	0.3	182.31	126.80	145.57	142.82	0.2	2.01	184 81	181.81	126.87	145,20	142.62	185.48	166.51	170.47	
th America (726)	258.56	0.5	252.19	175.40	201.35	255.83	05	2.21	255.42	251.14	174.98	200.57	254.69	262.26	202.03	203.68	Minsk, Moscow, New York,
CDE EL UK (520)	189.68	0.2	186.45	129.68	149.87	156.66	0.2	2.46	189,21	168.04	129.62	148.57	156.49	190.78	151.40	181.40	Normebirsk, Oseks, Paris,
- 6- Fx Jacon (352)	283.73	0.5	288 72	200.81	230.52	253.95	0.5	2.92	292.35	287,45	200.27	229.56	252.74	293.73	237.71	244.20	Prague, Rio de Janeiro,
HIER US (1746)	166 70	03	183 52	127.64	148.53	147.21	0.2	2.03	196.07	182.95	127.47	148,11	146.84	196.70	167.36	170.75	See Paulo, Sepel, Shanghai
wei Fa. UK (2170)	207 63	0.3	204.09	141.95	182.95	175.61	0.3	1.91	206.97	203.50	141.78	162.62	175.15	208.07	179.23	179.34	
orid Ex. Japan (1892)	240.17	0.5	236.08	164.20	198.49	227.70	Q.5	2.52	238.99	234.98	163.72	187.66	226.59	242.39	197.10	197.77	Singapore, St. Petersburg,
e World Index (2373)		0.4	205.40	143.55	164.60	180.52	03	2.10	209.17	205.67	143.29	164.25	179.92	211.22	181.82	161.89	Sydney, Tehran, Tokyo, Toronto, Warsow, Zorata

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manu though Nasdao Commerzbank's focus on German encour sed selland European economic issues stors of entually said it Nikkei ie. "The There n." said egist at okyo. e most

Are tigers ay, rose sue is in the er highon Germany's technology stocks were also stronger, with Sony Y100 higher at Y6,600 and Toshiba Y5 ahead at Y830. Large-capital steels eased doorstep? under profit-taking by domestic institutions and brokerage

Over the past few years, Germany's economic links with the former communist countries in Central and Eastern Europe have become far strongar. In the medium term, this trend seems likely to continue. All the same, there is much to suggest that even the region's most advanced economies have little chance of turning into another East Asia.

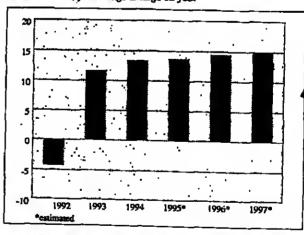
> position in the relationship between the industrial countries of tha West and the transitional economies of Central and Eastero Europe, as it accounts for just over a third of this region's trade with the OECD states. Thanks to the strong expansion in its trade, Eastern Europe now absorbs just over 8% of Germany's exports, as against 4% during the 1980's. What is more, it has received no less than 6% of German foreign direct investment (FDI) so far in the 1990's, compared with 0.2% up to 1989.

THE MEDIUM-TERM COLLOCK IS bright. In 1994, the Central and Eastern European countries (excloding the CIS), registered their first real GDP growth since

4/96

LOW LABOUR COSTS together is consequently limited in scale. with the fact that the most advanced of the transitional econ-IN ADDITION, East Asia's ecoomies are Germany's close neighnomic transformation produced a bours have encouraged the nofairly balanced income distribu-. tion that a group of European tion, whereas in Central Europe, "Tigers" could develop on Gerlow increases in real wages, commany's doorstep. Yet despite the bined with an uneven distribu-

German merchandise exports to transitional economies In value terms, percentage change on year



region's obvious economic potention of income, could trigger social tial, the analogy with Asia is not conflicts. really valid.

CERTAINLY, wage levels in the more advanced countries of Central Europe are similar to those in the first-generation Asiao NIC's a decade ago. Moreover, East Asis's economic powerhouses did not always have a democratic tradition to build on either, And there, too, state inter-

However, some of the key factors which fuelled tha Asian boom are absent in Central and Eastern Burope. For one thing, foreign investors do not find the investment climate particularly attractive, or stable enough. The Czech Republic, Hungary and Poland have made the greatest progress in this respect, and thus it is not surprising that

great potential, comparisons with Asia create unrealistic expectations. It is clear, however, that Germany needs a presence in all of the world's expanding markets if it is to improve its competitiveness. And it is equally clear that German firms cannot use the argument that the transforming countries to the East are their "Tigers" to justify their relative neglect so far of the

ALTHOUGH Eastern Europe has

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German know-how in global finance

ted to a handful of countries and



GERMANY OCCUPIES a special

vention was not uncommon.

dynamic Asian economies. scope of research capabilities and financial services,